Weekend FT

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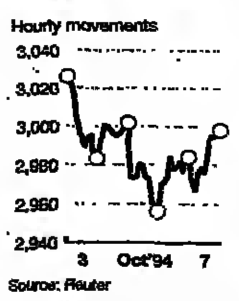
FINANCIAL TIMES

Europe's Business Newspaper — WEEKEND OCTOBER 8/OCTOBER 9 1994

Metallgesellschaft reduces net debt by two-thirds

German metals and engineering group Metallgesellschaft has reduced its net debt by two thirds to DM1.2bn, ($770m) chairman Kajo Neukirchen said. The assets sale instituted when he took control last December had generated DM4.2bn, and 90 subsidiaries had been disposed of or deconsolidated. Page 11

Footsie follows positive Wall Street



Firm bond prices helped UK equities to move higher yesterday as Wall Street opened positively in the wake of data showing the US unemployment rate at 5.9 per cent, its lowest rate for four years. The FT-SE 100 Share Index closed 14.3 ahead at 2,998.7, down just under 1 per cent over a week which has seen the market unsettled by fears that the US Federal Reserve may soon raise its key interest rates again. US indicators keep everyone guessing, Page 4; Bankers prepare to scrap the grouse shoot, Page 6; Good news is bad news for shares, Page 9; London stocks, Page 15; World stocks, Page 21; Lex, Page 24; Markets, Weekend II

Police raid Fininvest offices: Police raided the Milan offices of Fininvest, business empire of Italian prime minister Silvio Berlusconi, damping hopes that his right-wing coalition's confrontation with the judiciary might be contained. Page 24; Man in the news, Page 8

Euro Disney to promote French films: French-based theme park operator Euro Disney is to set up a subsidiary of Miramax, owned by Walt Disney, to promote French films in the US. Page 11

Japan backs outsider as trade chief: Japan said it would back South Korean trade minister Kim Chul-su to head the new World Trade Organisation against front-runners Carlos Salinas, former president of Mexico, and Renato Ruggiero, a former Italian trade minister. Page 24

Cult victims 'probably murdered': Police investigating cult-linked deaths said the bodies of a Swiss man, a British-born woman and a baby found in a burnt out house in Quebec were probably murdered. In Switzerland, warrants were issued for cult leader Luc Jouret and an associate.

Japan's trade surplus falls: Japan reported a 15.7 per cent fall in its current account surplus in the year to August. Page 3

Rover workers get 10% pay deal: Rover Group signalled an upward turn in British pay deals with a two-year award of about 10 per cent for most of the carmaker's 33,000 employees. Page 24

Spain may press for Iberia funding: Spain is likely to seek approval from the European Commission to provide further subsidies to Iberia, its financially crippled airline, which is expected to lose Pta44bn ($344m) this year. Page 2

China defends nuclear test: China ignored appeals for a moratorium on nuclear testing and defended its second underground test in four months. Page 3

Hollinger to raise Telegraph stake: Shares in The Telegraph jumped 20p to 330p in London after Hollinger, the Canadian publishing company controlled by Conrad Black, said it wanted to increase its 57 per cent stake in the UK newspaper group. Page 11

Interest rate rise hits house sales: The UK housing market has been hit by last month's half percentage point rise in interest rates, according to a survey of more than 200 estate agents. Page 5

The FT influence

The Financial Times has been named as the world's most influential publication in an international survey of central bankers, finance ministry officials and financial executives. Out of 300 financial policymakers surveyed in 30 countries by the magazine The International Economy, 60 per cent of those who replied cited the FT.

The survey also named Sir Samuel Brittan, the FT's chief economic commentator, as the world's most influential economic journalist, with 32 per cent of respondents citing him. Martin Wolf, Peter Norman and David Marsh, all of the FT, were respectively joint second, third and joint fifth most influential.

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End of the road for the man from the Pru

Direct debits to replace cash on the doorstep

By Ralph Atkins

The "man from the Pru", foot-slogging the pavements of Britain's industrial heartlands collecting monthly cash payments, has yet to hang up his hat for good. But he will not be taking new business from next year.

Prudential, the UK's largest life insurer, closed a chapter in commercial history yesterday by announcing that from January 1 it will stop selling the cash collection life insurance and savings products with which it is almost synonymous.

Mr Jim Sutcliffe, director of the group's home service division, said existing holders of such "industrial branch" policies – so called because they were designed for the expanding industrial classes of the nineteenth century – would still get their monthly visits.

But for others, direct-debit bank mandate and annual or half-yearly financial health checks will replace the smart chap from the Pru, who was always polite and unlike slicker financial advisers from the City. "It is an emotional moment when you close the book," said Mr Sutcliffe.

The Prudential said its decision not only made commercial sense – in the first half of 1994 industrial branch business accounted for less than 2 per cent of the Pru's total UK sales – but was good for its clients. Collecting in person amounts that averaged just £8 every four weeks was expensive, eating into the return that investors eventually receive.

More than 90 per cent of its cash collection customers have a bank account, the Prudential estimates.

Research suggests that contact every six months is sufficient to maintain customer satisfaction. The Prudential said there would be no redundancies among its 8,000-strong sales and collection force, which will concentrate on selling other financial products.

Under 1920s' legislation, agents selling industrial branch policies must visit at least every two months and initial in a premium book the amount paid – though these rules are under review by the government.

From next year life insurance companies will have to give more information on costs and charges, a move expected to make customers more price sensitive. But other companies offering cash collection argued yesterday that industrial branch business still made economic sense.

Mr Martin Fox, marketing manager of Pearl Assurance, said his company believed in "regular contact, regularly looking after people and we are opposed to the idea of selling people something and then walking away from them."

Liverpool Victoria friendly society, which last year received 58 per cent of its premium income from industrial branch business, said it was "committed to providing the type of business the ordinary working men and women want".

Editorial Comment, Page 8

Satisfied customers: how the Pru used to advertise on posters

Tory right urges tax cuts to counter Blair's appeal

By Kevin Brown and David Owen

Mr John Major was last night facing a strong warning on taxes from the Tory right, as Labour's successful Blackpool conference closed with an endorsement of Mr Tony Blair's leadership from Mr John Prescott, his traditionalist deputy.

With many Tories rattled by the confidence of Mr Blair's performance, the Thatcherite Conservative Way Forward pressure group was expected to urge the prime minister to make tax cuts an urgent priority.

The group was also expected to use tomorrow's issue of its Forward magazine to urge Mr Major to stress in his speech to his party's conference in Bournemouth on Friday that a Conservative government would never join a European single currency.

Right-wingers see these steps as vital if the party is to establish "clear blue water" between itself and Labour. They will also call for a renewed offensive on law and order, an issue on which they feel Labour has successfully eroded the Tories' advantage.

In Blackpool, Mr Prescott tried to bridge divisions over the future of Labour's commitment to widespread nationalisation.

In a forceful speech designed to undermine Conservative efforts to ridicule him, he told delegates that Mr Blair was "a leader with the courage to lead".

As the conference closed with jazz bands and jiving, as well as a chorus of Red Flag, Mr Prescott said Labour had "learned its lessons", and promised to consult "every region of the land" to build a consensus on modernising the party's aims.

Senior officials said the regional tour would help ease the pain of transition from the 76-year-old Clause Four commitment to public ownership to the more limited support for public services favoured by Mr Blair.

But Mr Blair, who heralded the end of the nationalisation commitment on Tuesday, issued a blunt warning to left-wingers not to exploit the leadership's narrow defeat on the issue in a debate two days later.

He said two freshly elected left-wing members of the party's ruling national executive committee would be "very foolish" if they interpreted their election as a signal of a swing to the left.

Mr Blair's determination to

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Labour leader Tony Blair (left) applauds deputy John Prescott for his end-of-conference speech Fergus Wilkie

Clinton warning to Iraq as troops move near Kuwait

By Mark Nicholson in Cairo and George Graham in Washington

President Bill Clinton warned Iraq yesterday not to be "misled into repeating the mistakes of the past" after Baghdad moved troops towards its border with Kuwait, from which Iraqi troops were expelled by a US-led force after it invaded in 1990.

The US was "taking the necessary steps", in response to the Iraqi action, Mr Clinton said.

One mechanised division and one armoured division, possibly including Iraq's Republican Guards, were said by diplomats in Kuwait to be heading towards the border. Iraqi divisions are smaller than in many Western armies, where they often comprise about 12,000 troops, the diplomats said.

Mr William Perry, the US defence secretary, said the troop movements were "not routine and they're not typical of what we've seen in the past, and therefore they do cause us some concern".

Diplomats said that Iraq had made numerous movements of forces since the Gulf war and that these had been correctly interpreted at the time as political posturing. However, Kuwait yesterday called an emergency cabinet meeting and called up some army reservists "in response to the call of duty".

British and US jets are based at Dhahran, Saudi Arabia, from where they routinely fly reconnaissance missions to enforce a "no-fly" zone in southern Iraq. Britain said yesterday it was sending a naval frigate to the waters off Kuwait in response to the troop movements.

Evidence of the troop movements emerged as Iraq sharpened its rhetoric against the UN embargo on Iraqi oil exports, imposed after its invasion of Kuwait, warning that it would take unspecified "measures" against its "enemies" unless the Security Council "immediately" eased the ban.

The Security Council is next week to consider a report from Mr Rolf Ekeus, the UN special envoy, on the readiness of systems for the long-term monitoring of Iraq's weapons programmes – a critical condition for an eventual easing of sanctions.

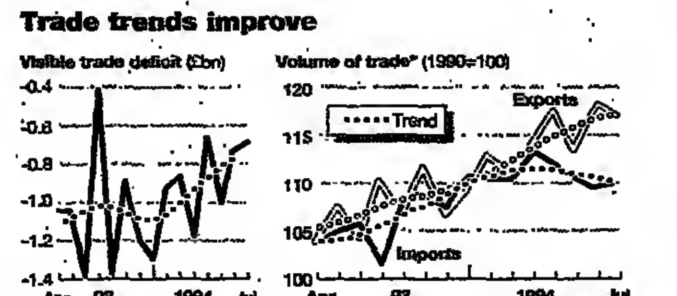
Mr Ekeus is expected to declare the monitoring systems virtually in place. France, Russia and China have said they believe Iraq should next be given a "probationary period" of six months for monitoring, after which the Security Council should discuss lifting sanctions. However, Britain and the US oppose any such timetable.

Thawra, the newspaper of Iraq's ruling Baath Party, yesterday warned in a front page editorial that food supplies were running out. Food rations were recently cut by up to 50 per cent.

Surge in UK exports helps trim trade deficit

By Gillian Tatt, Economics Staff

Trade trends improve



The UK's trade position with the rest of the world is improving significantly as exports surge to meet strong world demand and imports of consumer goods fall, official figures showed yesterday.

The trend suggests that the nature of the UK recovery is changing, as export-led growth begins to play a bigger role than consumer spending.

Meanwhile, a continued fall in the trade deficit last month has damped fears that the upturn might trigger a new balance of payments crisis by sucking in imports to meet growing demand.

The Central Statistical Office said yesterday the UK trade deficit with the rest of the world fell to a seasonally adjusted £704m in July from £729m in June.

Measured on a three-monthly basis, seen as a more accurate guide to the underlying trend, the deficit narrowed to £2.45bn in the three months to July. This is the smallest deficit since 1987, barring a temporary low point three years ago. It compares with a deficit of £3.48bn in the same period a year ago.

The CSO said both exports and imports had risen to record levels in July, although the underlying trend indicated that exports had shown the fastest growth.

On a three monthly basis, export volumes were 1.5 per cent higher in the three months to July compared with the previous three months, and 10 per cent higher than in the same period a year ago. Export values grew slightly more, indicating that

Continued on Page 24

STOCK MARKET INDICES

FT-SE 100:	2,998.7	(+14.3)
Yield	4.22	
FT-SE Eurotrack 100	1,287.9	(-2.85)
FT-SE-A All-Share	1,494.19	(+0.3%)
Nikkei	19,744.75	(+89.52)
New York lunchtime		
Dow Jones Ind Ave	3,786.66	(+11.10)
S & P Composite	453.94	(+1.58)

LONDON MONEY

3-mo Interbank	6%	(same)
Liffe long gilt fut	Dec 99 13/32	(Dec 99 5/8)

US lunchtime RATES

Federal Funds:	4¾%
3-m Treas Bills: Yld	5.04%
Long Bond	94⅞
Yield	7.944%

NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$17.21	(16.96)

Gold

New York Comex (Dec)	$393.8	(395.1)
London	$392.7	(391.8)

STERLING

New York lunchtime:		
$	1.58675	
London:		
$	1.5905	(1.588)
DM	2.4511	(2.4526)
FFr	8.3767	(8.3823)
SFr	2.0318	(2.0336)
Y	159.403	(158.403)
£ Index	80.3	(80.2)

DOLLAR

New York lunchtime:		
DM	1.54675	
FFr	5.28	
SFr	1.2815	
Y	100.465	
London:		
DM	1.5411	(1.5444)
FFr	5.2689	(5.2785)
SFr	1.2775	(1.2806)
Y	100.225	(99.75)
$ Index	82.2	(same)
Tokyo close Y 100.02		

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

NEWS: EUROPE

Madrid may inject cash into Iberia

By Tom Burns in Madrid

In the wake of the European Commission's controversial decision allowing the French government to provide fresh subsidies to Air France, the Spanish government is expected to request similar authorisation before the end of the year for Iberia, its financially crippled airline.

Iberia is expected to lose Pta44bn ($343.7m) this year, up on earlier estimates of Pta30bn, and its accumulated losses by December will have effectively wiped out a Pta120bn capital injection authorised by Brussels in 1992 on condition that no more public money be made available until 1996.

The request to allow immediate additional funds for the state-owned carrier, likely to total at least another Pta120bn, will be accompanied by a drastic cost-cutting programme. Iberia plans to lower salaries by an average 15 per cent over two years and to shed 2,120 jobs from its 24,456 labour force.

The cuts, which form the basis of talks with the airline's unions over the next two weeks, are viewed as a test case for the government's declared policy of substantially reducing losses in the public sector. Yesterday the unions said they would not begin to negotiate the proposed cuts unless there was a shake up of Iberia's senior management.

The heavy losses are likely to prompt the removal of Mr Juan Saenz who was appointed Iberia's managing director in September last year. A plan drawn up by Mr Saenz to segment Iberia's business by hiving off its maintenance, handling and systems units to other companies, was shelved in May after union opposition.

Responsibility for Iberia's critical balance sheet could extend right up to Mr Javier Salas, the chairman of both INI, the public sector holding company which is the airline's sole shareholder, and, since September 1993, also of Iberia. The government is seriously worried that the airline is draining the resources of profitable INI companies such as Endesa, the partially privatised electricity utility.

Iberia could show a small operating profit this year, but its balance sheet is heavily burdened by its fleet renewal and its expansion in Latin America where it owns 85 per cent of Aerolineas Argentinas, and has substantial shareholdings in Chile's Ladeco and in Venezuela's Visa.

SELL-OFF GUIDE HAILED

The Spanish cabinet yesterday sent to parliament a set of legislative initiatives governing future privatisations and deregulating the telecommunications sector, that were hailed as "revolutionary" by Prime Minister Felipe González, writes Tom Burns.

The new legal framework for upcoming privatisations establishes a principle similar to that of the "golden share" that allows the government an effective veto over decisions considered to be of strategic interest, that might in future be taken by formerly state-owned institutions. The framework sets the stage for large-scale global offerings next year by the energy group Repsol and by the Argentaria banking corporation, which are both government-controlled.

The telecommunications initiative establishes guidelines for the total deregulation of the sector in Spain by 1998 and it includes a new law that will soon go before parliament setting the terms for the introduction of cable TV. Mr González said the legislative package represented a "cultural change" for Spain and a strategic leap forward in its competitiveness.

Kohl to 'stay on at least 4' more years

By Quentin Peel in Bonn

Chancellor Helmut Kohl yesterday spread confusion over his plans for eventual retirement, saying he intends to stay in office for the next four years - if he wins the election - but leaving a question-mark over what will happen then.

In a masterly piece of electoral mystification, Mr Kohl rejected any suggestion that he might quit sooner, but declared that he would be satisfied with a period in office until 1998.

"If I am given the opportunity and the health to be chancellor for another four years, this will be a big enough achievement," he said.

Suggestions in a recent television interview that he would still be chancellor after the year 2000, when he will be 70, he described as "weird". But he still gave nothing away.

Appearing at the last major press conference of his election campaign before the poll on October 16, he stressed his determination to see his two great projects accomplished - German unification and European unification. The latter meant that the forthcoming inter-governmental conference of EU member states, in 1996, must make further big strides towards integration, including a significant boost in the role of the European parliament.

"This conference must bring us an important step further," he said. As for the enlargement of the EU, he called for a firm timetable to be set for the admission of the new democracies of central and eastern Europe. He repeated his determination that "the eastern border of Germany cannot be allowed to remain the eastern border of the EU."

Treuhand to seek more cuts in steel output

By Judy Dempsey in Berlin

Germany's Treuhand privatisation agency is likely to push for further cuts in steel capacity in eastern Germany in a bid to persuade the European Commission to accept the sale of Eko Stahl, the last of the East German steel mills, to Cockerill-Sambre, the Belgian steel producers.

Mr Hans Schwarz, head of the workers' council at the Hennigsdorf steel mill in the eastern state of Brandenburg, said the agency might buy back a part of the mill in order to close down one of the hot-rolling complexes which is under-utilised.

Hennigsdorf, which is owned by Riva, the Italian privately-owned steel group, produces about 700,000 tonnes of steel a year, but its capacity could increase to 1m tonnes when its hot-rolling operation is complete.

The agency's policy could have the affect of keeping overall capacity levels in eastern Germany down if Cockerill buys Eko Stahl, but could also mean further job losses in the industry.

Under the terms of the European Union steel levels agreement, Eko Stahl must not produce more than 900,000 tonnes until 1999, when production can then rise. Mr Scharwz said the 850-strong work force at Hennigsdorf would be reduced by nearly a sixth if the plans went ahead.

Chancellor Helmut Kohl greets supporters after arriving at Leipzig to garner support ahead of the elections on October 16 Reuter

Kohl and Scharping look east

Quentin Peel in Leipzig

GERMAN ELECTIONS
October 16

Five years ago tomorrow, some 70,000 people of Leipzig took to their grimy city's streets in open defiance of a massive deployment of riot police, army and militia, to demand reform, democracy and civil rights.

"We are the people!" was their cry, in a confrontation with the authorities which they feared would become another Tienanmen Square. Against all the odds, it ended without bloodshed. It was an heroic anti-climax which opened the door for East Germany's peaceful revolution.

This week, they have been finding out just what they were prepared to lay down their lives for: the full force of parliamentary elections, west German-style. And the people of Leipzig are clearly a little baffled by the experience.

First came Chancellor Helmut Kohl, the man who seized the opportunity for German unification after those extraordinary events of 1989. He called for their thanks, their loyalty and their votes for his Christian Democratic Union (CDU) on a cold, rain-soaked evening in what used to be Karl Marx Square.

And then in strode Mr Rudolf Scharping, his arch-rival from the Social Democratic Party (SPD), to preach a different gospel on the old Market Square in front of Leipzig's restored medieval town hall: that the "unity chancellor" had got it wrong, that he was to blame for their job losses, their bitter unemployment and soaring rents. They should vote, instead, for a change, he said.

The crowds are a sharp contrast to the massive rallies which marked the peaceful revolution. Back in 1990, Mr Kohl pulled in an estimated 300,000 on the renamed Augustus square, in front of the city opera. Last week, the figure could not have been much more than 3,000, including a raucous knot of jobless demonstrators, who braved a squally night to hear his speech.

The city of Leipzig is already a dramatically different place to the one which saw those Monday demonstrations in October and November, 1989, spilling out from the prayer sessions in the Nikolai church, under the shadow of Karl Marx University.

Western stores, sleek shoe shops and bustling supermarkets dominate the cleaned up streets of the city centre, cranes swing on all sides over the skyline, and fast food from Mövenpick and McDonalds has replaced the soggy fare from half-empty state restaurants.

There is still a slightly scuffed and hang-dog look to the passing pedestrians, still sporting cheap, colourless clothes left over from the old regime. But no one is too scared to shout their protests at the disappointments of unification, or even sling a solitary egg at a poster of the chancellor.

They carried crosses for each local factory which has been forced to close in the harsh privatisation process which followed economic and monetary union between the two halves of Germany, and countered the loyalists' chant of "Helmut! Helmut!" with a barrage of whistles and cries of "Kohl must go!".

The chancellor was unmoved. He looms over the microphone under a massive party slogan - "Vote CDU to make sure it goes on getting better" - and bellows his message through loudspeakers - "I am the man who brought you unification. Vote me."

Most of his speech is pure history: recounting those heady days when he thrashed out the deal with President Mikhail Gorbachev which set the seal on German unity. This is Kohl the statesman, the man of history, the man they owe.

He rounds on the demonstrators with a fury which suggests that he cannot understand their ingratitude: they are the Communists who, with the Nazis, brought down the democracy of the Weimar republic, he declares. They are the ones who would do it again. And he castigates the Social Democrats for any hint that they might be prepared to use communist support to defeat his coalition government in Bonn.

Mr Scharping is another animal. He is full of facts and figures, of jobs lost and policies mishandled. His rival promised that unification would be all but painless, and he lied, he says.

He reels off all the tax rises, the soaring rents and prices, the unemployment and the squeeze on social spending. He promises more social justice, and more cash payments for children, as well as a fairer distribution of the tax burden.

It is all a bit lost on his audience, until he comes to questions of housing, rents and property. That is what they understand: the uncertainty of living in homes which might suddenly be sold, and the shock of paying western rents on eastern wages.

Mr Scharping says he will freeze the rents, and ensure that former property owners get compensation, not restitution.

"I like what he is saying," says a severe-looking middle-aged lady in a yellow overcoat. "But I'm not sure he can deliver it."

A grim-faced worker is quite sure where his vote does not lie: "That Kohl is shameless," he insists. "I'm 59 and unemployed. He cost me my job."

But the electors of Leipzig are learning fast. "That's all electioneering," says a leather-jacketed motor mechanic, highly suspicious at being questioned for his views. "You've got to take it with a pinch of salt. I'm just happy that I've got a job."

Swedish premier calls in executives

By Hugh Carnegy in Stockholm

Mr Ingvar Carlsson, Sweden's new Social Democratic prime minister, yesterday called in a group of the country's top business leaders to advise him on industrial policy, including three executives who launched a thinly-veiled attack on Social Democratic policies during the general election campaign.

Mr Carlsson, who officially assumed office yesterday, outlined in his opening speech to the Riksdag (parliament) his government's policy platform and said that he was appointing a special industry advisory committee to support him in his efforts to reduce unemployment, running at around 14 per cent of the workforce.

The committee is to include Mr Percy Barnevik, chief executive of the Swiss-Swedish engineering group Asea Brown Boveri, Mr Lars Ramqvist, chief executive of the telecommunications group Ericsson, Mr Bo Berggren, chairman of the forestry group Stora, Mr Leif Johansson, chief executive of Electrolux, and Mr Bert-Olof Svanholm, head of the Swedish division of ABB and chairman of Volvo.

All five, who will be joined by other senior Swedish business leaders, are key figures in the Wallenberg family industrial empire. Mr Ramqvist, Mr Berggren and Mr Svanholm were co-signatories of a newspaper article shortly before last month's general election which warned of the threat to investment in Sweden if the new government introduced policies harmful to industry. They most strongly opposed income tax increases which Social Democrats are committed to.

Mr Carlsson, saying his top priority was to tackle the budget deficit and reduce unemployment, said new jobs must come from industry. "Sweden needs more companies and more company owners," he said. "This requires closer co-operation between the government and industry. I will personally be strongly engaged in this work."

The Social Democrats plan to increase investment incentives and may try to cut corporate tax. But the new prime minister gave no indication that he would back down on his election programme of raising marginal income taxes, wealth and capital taxes and taxes on dividends.

Mr Carlsson said the election plan, which also included spending cuts, and measures already approved by parliament this year would over the next four years strengthen the budget by SKr80bn.

Apart from the public finances and unemployment his four other priorities were to protect and develop the welfare state, increase Sweden's international engagement, deepen co-operation in Europe and harmonise the environment and industry.

Yeltsin gets a taste for the spirit of politics

By John Lloyd in Moscow

Yeltsin: stayed on plane as Irish PM waited on tarmac

The official Russian news agency, Itar Tass, yesterday published excerpts from a letter from President Boris Yeltsin to Mr Albert Reynolds, the Irish prime minister, which express the president's "sincere regret" for the "annoying misunderstanding" which kept him inside his jet at Shannon airport on his way back from the US a week ago, instead of attending a scheduled meeting with the prime Minister.

Mr Reynolds, with great good humour, accepted the explanation given to him by Mr Oleg Soskovets, first deputy prime minister, that Mr Yeltsin was "unwell" and "fatigued".

Mr Patrick McCabe, Irish ambassador to Moscow, said yesterday the letter, sent on Tuesday, was "warm and gracious": it repeats an already-issued invitation to Mr Reynolds to visit Moscow next year, and looks forward to a meeting at the Conference on Security and Co-operation in Europe in Budapest in December.

It could not have escaped the attention of the Irish, however, that Mr Yeltsin said he was not unwell when he returned to Moscow, proffering instead the explanation that his security people had not allowed him to be woken and that he was annoyed about it, an explanation the letter seems to implicitly endorse.

The Irish snub completed a troika of such events. Last month, Mr Yeltsin seized a baton from a band leader, sung loudly and stumbled at a reception at the Berlin ceremony marking withdrawal of Russian troops. In Washington last week he gave a boisterous press conference after talks with President Bill Clinton.

These have embedded themselves in the Russian political landscape, and, as the political season opens once more, the president's behaviour and habits will not be off-limits.

They have not so far, however, come under the sustained attack which a Western head of state would certainly have had to suffer. Mr Victor Ilyukhin, Communist deputy who referred on Wednesday to Mr Yeltsin's escapades as "our shame" and claimed he was a long-term sufferer from alcoholism, was a rare exception to official silence, or indifference.

The incidents, and Mr Yeltsin's general behaviour come up in ordinary conversation, but are shrugged off, as if to say: "What would you expect?"

The official Communist party disapprobation of drunkenness, which reached a peak when Mr Mikhail Gorbachev come to power in 1985 and banned drinking, has wholly gone.

It had anyway been, in the latter part of the Soviet period, largely hypocritical: Mr William Pokhlebkin, whose "History of Vodka" appeared three years ago, says that, in the 1970s, "it was no longer possible to evoke a popular contempt for drunkenness, to create an attitude of disdain for drunkards, since heavy drinking had lost its stamp as a grave offence incompatible with the Soviet system".

Now, alcohol is indispensably compatible with the good life, or efforts to simulate it. Most of the street kiosks sell alcohol of varying sorts. It is available in large quantities at official, as well as private, receptions.

Mr Genady Zyuganov, the increasingly militant leader of the Communist party, said yesterday that the opposition would be out in force next week to debate parliament's relations with the president. The Communists have shown that they have no inhibitions about attacking Mr Yeltsin for his alleged drinking habits: the issue will come up again, and, if the allegations have a basis, then Mr Yeltsin, his health uncertain, is in poorer and poorer shape to withstand the attacks.

Discord on rouble's fall

Russian ministers yesterday gave sharply different accounts of the rouble's rapid fall, reflecting fear in government circles over Russia's reform course, writes John Lloyd. Mr Sergei Dubinin, acting finance minister, said the fall was "profiteering, pure and simple" by commercial banks, and that the rouble would rise again soon. But Mr Anatoly Chubais, deputy prime minister in charge of privatisation, told regional presidential representatives the fall was a "result of half measures and deviation from the financial policy".

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INTERNATIONAL NEWS DIGEST

Italy seeks new budget formula

The Berlusconi government is urgently studying ways to reformulate its 1995 budget after its rejection by the senate. The search for a new formula followed a surprise vote in on Thursday rejecting plans to raise L5,000bn (£2bn) from an amnesty on buildings constructed without proper permits. The funds would be raised through charging registration fees for regularising property development and construction carried out without permits since 1985.

Along with a further L10,000bn due from a pardon on disputed tax assessmants, the two items were the main source of new revenues in the 1995 budget. Overall the budget, which began its path through parliament this week, is due to find L50,000bn in fresb revenues and spendiog cuts to reduce the public sector deficit to below 8.5 per cent of GDP.

The illegal construction amnesty bas been hotly contested by the opposition, especially the Greens. Also at least five regional administrations have filed suits with the constitutional court seeking to block the measure which is seen as condoning uncontrolled speculativa building. In the senate, where the right wing coalition lacks a majority, the government was handicapped by several absences. The vote was lost by 113 to 115. The government has pledged to devise a means of re-introducing the legislation; hut finding the necessary consensus in the senate may prove difficult. Mr Lamberto Dini, the treasury minister, warned this week that in the event of revenue shortfalls, the government would have to resort to extra taxes. *Robert Graham, Rome.*

UN troops expel Moslems

United Nations troops yesterday drova Mnslem forces from the Sarajevo demilitarised zone at gunpoint after Bosnian Serbs threatened revenge for a commando raid in which 20 Serb soldiers and women nurses were killed. Peacekeepers said they had evicted at least 550 men of the Moslem-led Bosnian government army from the Mount Igman area of the zone and destroyed their bunkers and trenches.

UN commanders feared the Moslem attack, launched from the DMZ against a Bosnian Serb army command post, would wreck their efforts to lift a Serb blockade of aid for civilians. Angry Serb leaders had warned they might order UN peacekeepers off their territory, but the first UN aid flight to the city for 15 days touched down safely yesterday morning. The operation to flusb the Moslems out of the DMZ, begun on Thursday and continued overnigbt, was to pre-empt any attempt by the Serbs to do the job themselves. UN envoy Yasushi Akashi made clear to the Moslems he would order Nato air strikes against them if they refused to obey. *Reuter, Sarajevo.*

Polish TV licensing row

Differences over licensing policy inside Poland's TV and Radio Council, a regulatory body, are delaying plans by Canal Plus, the French pay television channel, to go on the air. The French company, whicb has invested $4m in Poland and plans to invest another $36m, called on the council's new chairman Mr Janusz Zaorski to grant the licence promised last summer. The delay in signing the licence has given rise to fears that Mr Zaorski plans to grant the frequencies to another operator such as the Italian-owned Polonia network which failed to win a licence in the original contest but is beld in higher regard by President Lech Walesa, wbo appointed Mr Zaorski.

Canal Plus is also under pressure from Multichoice, owned by Mr Rupert Murdoch's News Data Corporation, which is marketing a pay TV service subtitled in Polish. Multicboice is also offering coded satellite channels like Filmnet and Discovery but has not gone through the expensive and time-consuming licensing procedures completed by Canal Plus. The French company yesterday called on the Radio and TV Council, to examine the legality of Multichoice's operations which threaten its profitability. *Christopher Bobinski, Warsaw.*

Danish economy grows at 5.7%

Denmark's gross domestic product increased by 5.7 per cent in the second quarter against the sama period last year, taking the growth rate for the first half year to 5.4 per cent (in constant prices), according to the official Statistical Office. The first half recovery was led by consumar demand, which soared by 8.1 per cent compared with last year. Exports grew by 6.8 per cent, with second-quarter exports up by 9.6 per cent. Gross fixed investment increased by 3.2 per cent.

The rapid increase in demand generated strong import growth, with imports up by 13.6 per cent in the first half and by 17 per cent in the second. The Danish recovery is supported by strong demand for exports, but it was also stimulated by a major boost to domestic demand from government fiscal policy last year. Widespread conversion of mortgage loans from high coupon to low coupon bonds last autumn and in the spring also made a significant contribution to consumer spending by reducing the cost of servicing mortgages. *Hilary Barnes, Copenhagen.*

Commuter anger explodes

Stranded Indian commuters went on a rampage yesterday, burning railway carriages, looting shops and attacking buses after a derailed train halted peak-hour traffic into Bombay. Irate commuters attacked railway property at about 11 suburban railway stations, beating up railway staff, burning furniture and stealing casb from ticket offices. At least 34 people were taken to hospital, including 20 railway staff. Police opened fire at Bhayandar to quell angry mobs, and used batons elsewhere to try to maintain order. Police said at least 70 buses were damaged, while 10 carriages of a train were set ablaze. Passengers pulled out the seats from another train and made them into a bonfire.

More than 500 suburban trains were cancelled because of the day-long violence. Hundreds of commuters squatted on the tracks blocking trains into the evening. Railway staff said train services would be disrupted for at least 48 hours because of the violence and damage. It was the fourth time since July that violent commuters had attacked railway property following the disruption of services. Bombay's suburban railways carry more than three million commuters a day into the banking and commercial centre. *Reuter, Bomboy*

China urges patents crackdown

China, under strong pressure from the US to protect copyrights and patents, ordered its courts yesterday to wage war on violators of intellectual property rights. The Supreme People's Court of China issued a circular to all civilian, military and special courts to "conscientiously study and research... laws governing protection of intellectual property rights", the official People's Daily said yesterday.

Foreign businessmen in China have expressed concerns over the abilities of courts to deal with the often highly technical nature of copyright issues. According to the circular, courts bave been advised to select people with foreign language abilities and background in science and engineering to take part in copyright violation trials. The courts were also told to resist protectionism in local governments and other government agencies. *Reuter, Beijing.*

Earthquake insurance bill rises

Estimates of insurance losses from the Los Angeles earthquake last January have been raised from $7.2bn to $9bn after a surprising number of new claims, the American Insurance Services Group said. More than 100 new claims a day are being reported by insurance companies, the group said. About 350,000 claims have now been received by insurers. Homeowners' losses represent 76 per cent of claims, with commercial losses accounting for an additional 12 per cent. The heavy losses reflect the thrust-fault motion of tbe earthquake which exerted enormous forces on structures. The earthquake hit the heavily populated area of north-west Los Angeles on January 14, causing extensive damage over a wide area. *Louise Kehoe, San Francisco.*

Market crisis spurs probe into Hualon links

By Laura Tyson in Taipei

Taiwan's monetary authorities yesterday launched an investigation into the extent of financial institutions' exposure to the Hualon group, a textile conglomerate, in the wake of the country's worst stock market crisis in two years.

Four of the group's executives were detained on Thursday as they tried to leave the country after payments defaults triggered wben underground financiers called in loans. Another was detained later.

They are being held under suspicion of violating article 155 of tbe Securities and Exchange Act, which prohibits direct or indirect manipulation of share prices. The maximum sentence is seven years in prison or a T$750,000 fine.

Relative calm returned to the market, which fell by more than 4 per cent on Thursday. Mr Oung Ta-ming, a Taiwanese legislator and Hualon's behind-the-scenes head, conceded he was not entirely blameless but said he could do nothing to resolve the matter until Ms Li Hsin-fen, his top aide and manager of his share trading activities and one of the executives who has been detained, was released from detention to belp clarify matters.

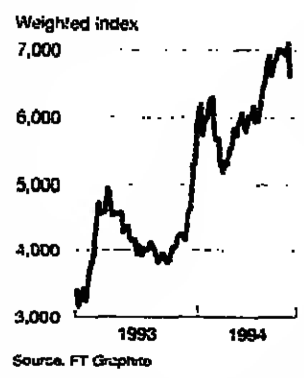
Mr Oung enjoys virtuat immunity from prosecution as a lawmaker. He launched his political career with his alection to Taiwan's Legislative Yuan sbortly after a similar share payments crisis in 1992 to which he was also linked.

The Securities and Exchange Commission said yesterday defaults had been staunched at T$7.6bn. Mr Day Linin, SEC chairman, said the incident, whicb sparked a share index dive of more than 7 per cent in two sessions, had been contained and would not precipitate instability.

According to figures from the Central Bank of China, outstanding loans to Hualon's five listed companies alone amounted to at least T$28bn at the end of August, newspapers reported.

Loans from banks, bills finance companies and other formal financial entities to Hualon-Teijran were reported to total more than T$10bn. Central bank officials could not be reached for comment.

Brokers said it was impossible to estimate the group's borrowings from underground financiers. Market sources estimated Mr Oung has T$4bn in cash on hand.



Taiwan banks generally lend on the basis of full security, mostly in the form of real estate or equipment, but sometimes they hold securities as collateral.

Market sources said some banks refused to lend to entities affiliated to the Hualon group following a similar share payments default crisis in autumn 1992. That resulted in default totalling T$9.2bn.

As well as being one of Taiwan's wealthiest men, Mr Oung is a powerful politician. He controls the parliament's finance committee and is said to have his own faction of a dozen or more legislators in the 161-seat legislature.

He is an enigmatic character who sports a scraggly beard, dresses sloppily and is renowned for his retinue of attractive young women. "Oung Ta-ming is very mysterious; you can't try to understand him using normal logic," said a Taiwanese investment banking source.

The analyst suggested that with Taiwan's closely-knit business and politics, there was likely to be more to the situation than met the eye. "Anything related to politics here is not so simple - you can't just add one and one and come up with two," he said.

Hit by a global slump in the textile industry, Hualon-Teijran Corp posted net losses of T$384mn (US$14.2mn) in 1993, the fourth consecutive year in the red.

The company forecasts a profit of T$968mn (US$35.5mn) in 1994. One of Taiwan's biggest textile companies, Hualon-Teijran's total assets stood at US$1.7bn at the end of 1993. Total group assets are estimated at US$2.5bn

Mr Lin Chen-kuo, the finance minister, said those responsible for the defaults crisis would be brought to justice

China defiant after second nuclear test

By Tony Walker in Beijing

China yesterday ignored appeals for a moratorium on nuclear testing and strongly defended its second underground test in four months.

The Chinese insist that they lag well behind other nuclear powers in testing. "Among all the nuclear states, China has conducted the least nuclear tests," the foreign ministry said. China is believed to have conducted 41 tests compared with 1,000 by the US.

Beijing said it remained committed to a comprehensive nuclear test ban treaty by 1996 and repeated its proposals for treaties on the "non-first-use" of nuclear weapons and the removal of threats of nuclear attack against non-nuclear weapon states.

But western governments lodged protests over the test at the Lop Nor site in far-western Xinjiang province. Britain "regretted" the test and Australia instructed its embassy in Beijing to "convey its concerns". Russia expressed regret and concern and advised Beijing to rethink its policy. Mr Miguel Marin-Bosch, chairman of tha conference on disarmament committee on a nuclear test ban said in Geneva the latest blast was "not conducive" to advancing the 39-nation negotiations.

The foreign ministry in Beijing said China would end its nuclear tests once a comprehensive test ban treaty came into effect. "China is actively participating in the negotiations on o comprehensive nuclear test ban treaty held in Geneva and bopes to see the conclusion of the treaty at the earliest possible date or no later than 1996," it said.

Australia's seismological centre in Canberra detected the test early yesterday and said the detonation was consistent with a medium-to-large explosion. Yield was estimated at the equivalent of 40-150 kilotonnes of TNT.

China conducted its last test in June in spite of demands by the US and Japan to refrain. Beijing has steadfastly refused to join a US-sponsored two-year moratorium.

The foreign ministry official said China possessed a small quantity of nuclear weapons "solely for the purpose of self defence." He urged nuclear weapons states to agree to the destruction of all nuclear weapons soon.

In Canberra, Mr Gordon Bilney, Australia's acting foreign minister, said China's continued testing was "out of step with the positive atmosphere" of negotiations on a comprehensive test ban.

"China must come to terms with the imminent fact of a ban on nuclear testing for all time and in all environments," Mr Bilney said.

Beijing to set up HK shadow body

By Tony Walker

China is to set up a special committee in Hong Kong in the run-up to the 1997 takeover to review legislation and recommend appointments to the judiciary.

Beijing's announcement of a "civil legislative committee" in direct competition with Hong Kong's Legislative Council deals another blow to Sino-British co-operation.

The official China Daily reported that the new committee would "oversee areas currently being supervised by the Legislative Council".

China was compelled to take this step after the Britisb Hong Kong government closed the door to co-operation with China, the newspaper said.

China's declaration came 48 hours after Hong Kong Governor Chris Patten made the conciliatory offer of allowing officials of his administration informal contacts with Beijing's preliminary working committee - the body set up to prepare for Chinese rule.

Previously, Mr Patten had banned any contact between Hong Kong officials and the PWC whose establishment last year was widely regarded as an attempt to undermine British authority.

Mr Patten made his offer in his third policy speech as governor, but China's response was dismissive. This reflects the parlous state of Sino-British relations.

British officials said that while the formation of a new committee to review legislation would be "unhelpful" the body would not come into being until it was approved next year by the National People's Congress - China's parliament.

They also noted that until 1997 the committee would serve no practical function since it would have no authority to amend or reject legislation, or make appointments. Its recommendations would not take effect until sovereignty passed to China.

But these officials said that Beijing's negative reaction to Mr Patten's attempts at conciliation this week hardly augured well for increased co-operation.

Australia acts to deregulate utilities

By Peter Montagnon

AUSTRALIA plans new rules on competition next year whicb will allow for deregulation of ntilities and pave the way for the eventual creation of a national power grid, its treasurer, Mr Ralpb Willis said in London yesterday.

The changes, first proposed in the Hilmer report on national competition policy, involve the application of competition rules to previonsly exampted sectors, inclnding bnsinesses controlled by the governments of individnal states.

Mr Willis said the proposals, which would also introdoce competition rules to the professions and statutory bodies for marketing commodities, were "the most significant element" of the government's programme for structural reform.

Tbe new rules wonld give tbe federal government legal powers to restructure tbe power industry so that separate entities conld be responsible for power generation, transmission and distribution as is now tbe case in Britain.

This would remove state governments' effective monopoly on local electricity supply by forcing open the distribution network to all generators, a particnlar breakthrough given Australia's federal constitntion which binders national de-regulation of utilities.

"We think it appropriate that we have a national grid so that we can remove excess capacity and generate competitive presures on pricing," Mr Willis said.

The new rnles migbt also pave the way for privatisation of state electric ntilities, but "the principal thing is to have competition," he said.

Mr Willis said the federal government planned to finalise tbe necessary legislative package by February next year and set in train the necessary institutional arrangements by mid-1995.

Eventually a similar approacb could be applied to gas supply. National efforts were also under way to improve rail communications, Mr Willis said.

Japan's trade surplus falls

By William Dawkins in Tokyo

Japan yesterday reported a 15.7 per cent decline in the current account surplus in the year to August, the first drop in three months.

The improvement, hot on the heels of last weekend's settlement of tbe latest US-Japan trade row, reinforces the finance ministry's contention that the surplus is passing its peak.

The drop, to $6.16bn from $7.31bn in the same month last year, comes partly as a result of a surge in energy imports caused by an unusually hot summer, plus an underlying pick-up in consumer demand. It is becoming clearer that Japan is heading for economic recovery, Mr Yasushi Mieno, governor of the Bank of Japan, said yesterday.

Within the overall current account gap, the manufacturing trade surplus fell by 4 per cent to $8.65bn, while trade in services showed a $1.57bn deficit, 39 per cent more than the services deficit in August last year. Exports of goods rose by 12.2 per cent to $30.39bn, while imports grew rather faster, by 20.3 per cent to $21.74bn.

A recent sharp rise in the outflow of long term capital continued in August, at $15.97bn, well over twice the $6.8bn capital outflow in the same month of last year. This is mainly due to an increase in Euro-yen bonds issued overseas by Japanese companies, in search of cbeaper capital in less regulated foreign markets. Sales by foreign investors of Japanese shares and bonds beld in Tokyo played a smaller part in August's capital outflow than was the case in July.

Yesterday's fall in the surplus helped to ease pressure on the yen, so that the dollar rose Y0.47 to close at Y100.02 in Tokyo yesterday, the highest since September 1.

Airport to expand as protestors relent

By Gerard Baker in Tokyo

The Japanese government is expected to announce plans next week to increase capacity at Tokyo's overcrowded Narita international airport, following a deal with anti-airport pressure gronps who have blocked expansion for almost 30 years.

Mr Shizuka Kamei, the transport minister, said his ministry had accepted a proposal from mediators that would settle its dispute with farmers and other groups hostile to the airport. He declined to comment on the details of the plan but it is understood to provide for the construction of one additional runway at the airport, 40 miles north-east of Tokyo.

Farmers and environmentalists successfully held up the original construction of tbe airport for more than a decade and have vehemently opposed any expansion, but they are understood to have agreed to the mediators' proposal. It calls upon the government to suspend plans for a third runway and not to press ahead with the construction of the second before completing extensive consultatinns with farmers and residents affected.

The transport ministry had originally proposed the construction of two more runways at the site to meet the rapidly growing demand for landing slots. An estimated 38m passengers are expected to use the airport in 2006, compared with 22m now. Airlines from 43 countries are awaiting permission for landing rights at Narita.

The compromise is expected to be formally approved at a final round of negotiations next Tuesday. However, tha consultation process is expected to take several years to complete before construction of the runway can begin.

NEWS: INTERNATIONAL

Bumper stickers cannot fix unruly, dirty and unlovely Bogota

City elections are focusing on social problems underlying the physical decay, says Sarita Kendall

Asleep on the streets of Bogota: the city cannot cope with the sharp rise in population and growing poverty Timothy Ross

Mockus: candid prescription

Bogota is an unruly, dirty and unlovely city. It has outgrown its transport, sewerage and water systems, and tbere are 14 murders a day. As Mr Antanas Mockus, the candidate in mayoral elections on October 30 who leads the opinion polls by a large margin, told a hall full of students: "You can't fix Bogota by putting 'I love Bogota' stickers on your car. Instead, say 'I hate it, but I'll do something to improve it'."

Sick of empty electoral promises, Bogotanos have warmed to Mr Mockus's candid prescriptions. He is making no political pacts and his popularity scared the Liberals and Conservatives into discussing an alliance for the local government elections. When this fell through, Mr Enrique Peñalosa of the Liberal party was left as the other contender.

Fuelled by migrants from all over the country, the population of Bogota has grown at more than 4.5 per cent a year during the last decade to 6.3m. With about 16 per cent of Colombia's inhabitants and a third of its industry, the capital sprawls out from a ridge of mountains across a high plain, eating up rich farmland. The winter rains bring landslides to poor hillside *barrios* and floods to lower-lying ones.

Although many businesses have moved north from the original centre, public sector offices are still largely concentrated in the town centre. A few streets of pretty colonial and early republican buildings survive in the Candelaria area in the city centre, but only three blocks from the presidential palace there are street walkers, drug dealers and any number of thieves carrying knives up their sleeves.

From time to time plans to remove the army of street sellers from the main avenues and to revamp parts of the centre are announced; but such enormous social problems underlie the physical decay that no mayor has had the courage to tackle them.

Mr Mockus, a mathematician and philosophy professor, took on one of the more difficult jobs in the country when he became rector of the anarchic National University. He resigned after television news programmes showed him 'mooning'(making a crude gesture of defiance) at a noisy university audience which would not let him speak, but students think well of him. "He's an intellectual in a million, a very good teacher. The university reforms he implemented have been successful – he's too far ahead on some things, though; people haven't his vision," said a graduate student.

The key to changing Bogota, according to Mr Mockus, is civic culture. All problems, including pollution, transport, security and tax collection could be resolved more cheaply if people's attitudes changed. This message, which forms the core of his programme, bas haen well received in a city where corruption is rife and cries for help rarely answered. A recent study by the mayor's office found the lack of civic solidarity to be people's foremost complaint, followed by transport, violence and administrative incompetence.

The next mayor will have little to spend unless he can cut back on operating expenses. The capital has 60,000 people, including teachers and public employees, on the payroll.

"Bogota's financial situation has been deteriorating since the 1970s," said Ms Maria Eugenia Avendaño, in charge of UN projects at city hall. "Service tariffs hardly changed and tha money went to pay off multilateral loans. Now there's heen a big increase in the industry and trade tax and more people are paying the property tax. Debts of the public service companies have been refinanced, so there'll be something over for investment." Catching up on service provision is one of the priorities – only 60 per cent of households are linked to the main sewerage system and more than 200,000 water connections are illegal. Every year unauthorised *barrios* sprout on vacant lots; sometimes thesa take-overs are sponsored by unscrupulous politicians in search of votes. People living in areas such as Ciudad Bolivar, a vast conglomeration of low income *barrios*, resort to strikes to get the city to solve their most glaring problems.

One of these is transport. Bogota has had no long-term transport or planning strategy and roads have been widened and fly-overs thrown up in a haphazard way. The number of vehicles has risen to over 600,000, boosted by the liberalisation of imports. There are 50 bus companies and nearly 90 per cent of all trips are made on public transport, so it is not surprising a rapid transit system is regularly debated.

The British company Halcrow Fox analysed a series of proposals for transport strategies. "The evaluation process was very useful," said Mr Mauriclo Cuellar, a transport specialist working with the local administration. "It allowed us to arrive at a long-term project which attacks the main zones of congestion and central area access problems."

This would include a north-south metro line, combined with east-west bus highways.

The metro is an expensive solution and would need a substantial contribution from the central government, which has promised special help for Bogota. It is one of the items on a list prepared by the Bogota 2000 planning team, aloug with the decontamination of the River Bogotá, the establishment of free trade zones and a host of projects.

As an attempt to involve Bogotanos in the discussion of their future and the choice between investment alternatives, the Bogota 2000 exercise is gathering steam. Mr Mockus thinks it is a good idea and wants to build on it. But his battle is not only to beat the powerful Liberal party machinery: if he wins, the unorthodox professor will have to govern the capital with virtually no city councillors to back him.

Brazil's left-wing presidential candidate brushes off defeat

By Angus Foster in São Paulo

Mr Luiz Inácio Lula da Silva, defeated in Brazil's presidential elections on Monday, yesterday said his left-wing Workers Party (PT) bad been strengtbened by the election and would continue its push for greater social reforms.

"We may have lost the election, but we have not lost our task," be said.

Mr da Silva appears to have been easily defeated in the presidential race by Mr Fernando Henrique Cardoso, a former finance minister and social democrat politician. With more than half the votes counted, Mr Cardoso has 54 par cent compared to Mr da Silva's 26 per cent. Mr Cardoso claimed victory on Thursday but Mr da Silva said be would not formally admit defeat until all the votes are counted, not likely before next week.

Mr da Silva, a former metalworker wbo has belped turn tbe PT into Latin America's biggest left-wing political party, said be had not yet decided about his own future. This is his second defeat in presidential elections and, although only 47, it is unclear whether he wants to compete again.

Despite Mr da Silva's defeat, the PT has done well in separate elections for governors and Congress. The party is likely to elect its first state governor in the state of Espirito Santo and the party's number of senators could increase from 1 to at least 4.

Some politicians have called for a broad alliance of parties to support Mr Cardoso and tackle Brazil's economic and social problems. But Mr da Silva said be thought "personally it is very difficult" for the PT to co-operate since Mr Cardoso was already allied with right-wing forces opposed to the PT.

The PT also called for a reform of the media, wblcb strongly backed Mr Cardoso. Mr da Silva said groups like Mr Roberto Marinho's Globo, which controls Brazil's biggest TV broadcaster as well as newspapers and radio stations, were too powerful.

US unemployment figures at lowest level in 4 years

By George Graham in Washington

The US unemployment rate dropped to 5.9 per cent last month, its lowest rate for four years, but other statistics published yesterday sbowed the pace of job creation slowing.

The department of labour said the number of jobs outside the farm sector rose by 239,000 in September to 114.1m, after seasonal adjustment, with private sector employment rising by 174,000 to 95m.

Most economists said this growth was more modest than expected, even though it was offset by an upwards revision to non-farm jobs in August.

Financial markets had hoped the employment report, the first significant indication of September's economic conditions, would give a clear picture of whether tbe Federal Reserve would need to raise interest rates again to slow the economic expansion to a less inflationary pace.

But the data offered mixed signals. After an initial fall, the US treasury 30 year bond climbed again and by noon had risen $\frac{3}{32}$ to $94\frac{27}{32}$, with a yield of 7.94 per cent. Stocks followed bonds upwards, and by noon the Dow Jones Industrial Average had risen 14.8 to 3,790.36.

In all, the number of jobs in the US bas risen by 3m so far this year, but the pace of job creation has slowed from an average of 396,000 a month in the first quarter to an average of 258,000 a month over the July to September quarter.

These figures are based on a labour department survey of businesses, and are generally regarded as more accurate than the survey of households, which is used to produce the overall unemployment rate.

That rate bas fallen from 6.7 per cent in January to 5.9 per cent in September, but interpretation has been complicated by a change at the beginning of this year in data collection methods.

Nevertheless, tbe current rate is lower than most economists' estimates of the "natural rate of unemployment", below which workers start to bid wages up.

Average bourly earnings in the private sector rose by 0.3 per cent last month to $11.16, and stand 2.6 per cent higher than they did a year ago. But with an increase in overtime, weekly earnings averaged $386.14, up 0.6 per cent on last month and 3.2 per cent over the last year.

While many Wall Street economists argue that interest rates will have to rise again to quell inflationary pressures, businesses have been worried that the Fed, which raised its short term interest rates for the fifth time this year on August 16, might cboke the economy into a recession.

Indicators keep everyone guessing on interest rates

By George Graham in Washington

If the Federal Reserve's policy makers wanted a nice, clear indication of the pace of the US economy's expansion from last month's employment statistics, they will have been disappointed.

That means that Fed-watchers, too, will have to wait a while longer before they see whether the US central bank will move short-term interest rates still higher in an effort to slow the economy's momantum before inflationary pressures build np.

Yesterday's announcement offered a battery of contradictions. A drop in the unemployment rate to 5.9 per cent, from 6.1 per cent in August, was balanced by a relatively modest increase of 239,000 in September in the number of non-farm jobs; that in turn was offset by a sharp revision upwards in the number of jobs created in August to 246,000, rather than the weak 179,000 originally reported a month ago.

These conflicting signals confused tha financial markets yesterday, and did little to change the opinions of private sector economists who have, for the most part, already placed their bets on the likelihood that the Fed will decide to raise interest rates another notch before the next meeting of its policy-satting Federal Open Markets Committee on November 15.

And they appear unlikely to have changed many minds at the Fed, whose last FOMC meeting 10 days ago decided to leave rates unchanged, leaving more time to see whether its increase of half a percentage point on August 16 will have its intended effect of alowing the economy's momentum.

The delay will irritate many in the financial markets, which have shown increasing impatience at what they see as irrefutable signs thet the economy is still growing at an unsustainahly fast pace in the third quarter, and have made clear their view that the Fed is "behind the curve" by pushing long term interest rates above 8 per cent.

But they may be underestimating the degree to which Fed officials believe they have acted in advance of inflationary pressures this year.

Fed officials warn thet monetary policy is an uncertain business, with long and variable lags between a change in interest rates and its effect on the economy, and point out thet they have already raised the federal funds rate, which hanks charge each other on overnight balances, by 1¾ percentage points this year.

Senior members of the FOMC, in recent speeches around the country, have appeared more worried about justifying to business leaders the fact that they have raised interest rates so far and so fast than about justifying to Wall Street their failure to move even further and faster.

Mr Robert Forrestal, president of the Atlanta Fed, told a meeting in Alabama this week that he expects growth to slow to around 3¼ per cent for the whole of this year and to around 3 per cent in 1995.

And Mr Robert Parry, president of the San Francisco Fed, told the Los Angeles Bond Club on Wednesday that the FOMC had heen "a little bold to move this early." The effects of the most recent increase, he added, had "yet to be felt".

"Such forward-looking monetary policy helps avoid the go-stop economic environment of the late '70s and early '80s, and it's much more likely to produce a lasting economic expansion," Mr Parry said.

Nevertheless, two of the indicators to which the Fed is generally believed to pay particular attention – the unemployment rate and the industrial capacity utilisation rate – are now signalling that the economy is running at or heyond a pace which it can sustain without succumbing to inflation.

Calculations of the natural rate of unemployment, below which wage pressures start to build, vary. Few estimates, however, are much lower than Septemher's rate of 5.9 per cent, and most Fed estimates are above 6 per cent.

Similarly, the Fed reported last month that the rate of capacity utilisation rose to 84.7 per cent in August, nearly one percentage point higher than reported in July and close to the level of 85 per cent at which industry is conventionally believed to start facing production bottlenecks and raising prices.

In fact, some Fed economists calculate that inflationary pressures begin even earlier, at around 81.8 per cent utilisation.

September's capacity utilisation rate is due to be reported next Friday. But the financial markets may have to wait a little longer to see whether the Fed feels that it needs to raise interest rates further to take some more steam out of the economy.

Haiti pullout before February 1996

US officials assured Congress yesterday they expected American forces to leave Haiti hy February 1996 at the latest, hut the White House said it was relieved Capitol Hill had not set a definite pullout date, Reuter reports from Washington.

"We fully expect that the entire operation in all of its phases will be over hy February 1996, which is the date specified in the relevant UN resolution," defence undersecretary Walter Slocombe told a hearing of the House of Representatives armed services committee.

"We are very conscious of the risk of getting sucked into things that seem like good ideas at the time that get us deeper and deeper in," Mr Slocombe said.

"And we are going to resist that temptation."

The White House said President Clinton wanted to withdraw US troops as soon as possible, but was pleased Congress had not demanded it by a certain date in a resolution passed on Tbursday calling for a quick pullout.

"I tbink the president is obviously gratified that they did not include a certain date" for removing the troops, White House press secretary Dee Dee Myers said.

"And the president certainly agrees with the notion that the troops ought to be withdrawn as soon as possible," she said.

The Senate and House voted Thursday to approve a non-hinding resolution urging a prompt, orderly pullout of US forces, hut didn't set a date. The Senate resolution also chided the president for refusing to seek congressional authorisation for the September 19 military intervention in Haiti.

Ms Myers said it was "no secret" that many lawmakers had wanted Mr Clinton to ask for congressional approval prior to the intervention, and that he bad a "longstanding disagreement" with Capitol Hill on the subject.

"I think he (Clioton) has outlined what the conditions for withdrawal are - a secure environment that allows us to turn the situation over to the UN," Ms Myers said.

Mr Slocombe said the US military operation is limited to restoring President Jean Bertrand Aristide, assuring parliamentary elections this year and presidential elections hy the end of next year.

Labour attacks MacGregor's move to City

By Philip Stephens and Charles Batchelor

A move by Mr John MacGregor, former transport secretary, to rejoin merchant bank Hill Samuel sparked a political row last night as Labour attacked the system which gives former ministers freedom to take City directorships.

Mr Brian Wilson, the opposition transport spokesman, said he would raise the appointment in the Commons when MPs return to Westminster in 10 days' time.

Hill Samuel, a subsidiary of TSB Bank, is advising the Department of Transport on the Channel Tunnel Rail link. It was selected to advise on the rail link in August last year after a competition among a number of banks.

Mr MacGregor asked to take no part in the selection process because of his former links with the bank. Under government rules there are no restrictions on ministers taking jobs in the private sector which have connections with their previous ministerial posts.

But Mr Wilson said Hill Samuel's involvement in the Channel tunnel link meant that Mr MacGregor's appointment as non-executive deputy chairman was "completely unacceptable". He said: "Hill Samuel are the direct beneficiaries of Mr MacGregor's policies, particularly in relation to the Channel Tunnel link."

Accusing the Conservatives of "sleazy and scandalous" behaviour, Mr Wilson said: "It is completely unacceptable that the secretary of state at the time of Hill Samuel's appointment should immediately move over from government to boardroom". He added that "common decency dictated that Mr MacGregor should have steered clear of companies which were direct beneficiaries of his own policies". Downing Street indicated that it saw no conflict of interest.

The row follows a series of attacks at the Labour conference in Blackpool on the jobs taken by former ministers. The opposition's opinion polling shows that the charge has a resonance with the electorate.

Rules issued by the cabinet office say there are no formal restrictions on former ministers taking up private-sector posts other than those which apply to all backbench MPs. The rules add that former ministers should avoid any actions which reflect adversely on their or the government's reputation.

Mr MacGregor worked at Hill Samuel for 11 years before his 15-year ministerial career. He remains MP for South Norfolk.

Before he became transport secretary in 1992 he served as chief secretary to the Treasury, minister of agriculture, education secretary, Lord President of the Council and leader of the Commons.

Mr Hugh Freedberg, Hill Samuel's chief executive, said Mr MacGregor's experience would be valuable in continuing to develop the business in the UK and internationally.

Commercial radio set for London battle

By Alice Rawsthorn

A battle is brewing in the London radio market following the news that four new commercial stations will come on air in the capital next year, including a women's talk station, a Christian radio service and two rock music stations.

The Radio Authority yesterday announced that it was also renewing the two licences for the AM and FM popular music stations run by Capital Radio, which may face fierce competition for its audience and advertising revenue from the new rock stations run by the Virgin and Chrysalis entertainment groups.

Mr Richard Eyre, Capital's managing director, said: "Life is certainly going to become more competitive. But we're looking forward to the fight."

All four music stations have slightly different formats. Capital will continue its youth-oriented AM service and "golden oldie" Capital Gold station. Chrysalis aims to attract a female audience for Crystal FM with "soft rock" music from Phil Collins and Elton John. Virgin will target a young, male audience by adding London talk shows to the "hard rock" music already played on its Virgin 1215 station.

Mr Richard Huntingford, chief executive of Chrysalis Radio, said he was confident Crystal FM could carve out its own niche and that the new stations would bring new advertising revenue into London radio.

Observers in the advertising industry were sceptical, however, that the expanded London radio business could be financed entirely by new revenue.

Mr Adam Crozier, executive media director of Saatchi & Saatchi, the biggest UK advertising agency, said: "There's certainly scope to attract new money. There may well be some redistribution of old money. It'll be up to each station to compete on the quality of their output and marketing."

Some radio executives privately criticised the Radio Authority which, they said, had not fulfilled its statutory obligation to encourage diversity. "There's been a clear change of policy," said one. "I don't think anyone expected there to be four music stations in Greater London when they did their business plans."

Lord Chalfont, chairman of the Radio Authority, said the decision to award the new frequencies was taken against the backdrop of increases in London radio listening and advertising revenue.

The decision also reflects the growing maturity of the radio industry, which is increasingly concentrated among large groups including Capital, Virgin and Chrysalis.

Radio Viva, the new women's talk station, is backed by Golden Rose, another established group that already owns the JFM jazz station.

London Christian Radio envisages raising some money from advertising but also hopes to sell subscriptions to the faithful.

Interest rate rise scares house buyers

By Andrew Taylor, Construction Correspondent

The housing market has been "knocked sideways" by last month's half percentage point rise in interest rates, according to a survey of more than 200 estate agents.

Some 60 per cent of agents said market activity, in terms of the number of people interested in buying, had declined since the interest rate rise.

The survey published by the National Association of Estate Agents said the rise had dented the confidence of potential buyers causing a "significant downturn in business".

Mrs Eva Lomas, the association's president, said the base rate increase, although small, had prompted a disproportionate fall in confidence.

She said: "Although interest rates are still at historically low levels, the improvement in the economy is not being translated into confidence among the public and talk about further rate rises can only make the situation worse."

The association's market trends survey for September showed a significant fall in the level of inquiries, viewings, offers and completions compared with August. Only 23 per cent of agents expected the market to strengthen until the end of the year compared with 60 per cent in August.

Nearly half of all agents said that business generally had fared worse last month than in September 1993.

A separate survey by the Nationwide Building Society showed that average house prices in the third quarter of this year were higher compared with the corresponding period a year ago in 10 out of 13 regions.

The average UK house price in the third quarter, according to Nationwide, was £66,012, up 1.1 per cent on the second quarter and 2.9 per cent higher than a year ago.

The biggest annual increases to the third quarter were 9.1 per cent in the east Midlands and 7.9 per cent in Northern Ireland. However, prices fell by 1.8 per cent in the north-west; 2.8 per cent in the west Midlands and by 6.2 per cent in the northern region.

Colin Beere

Eight descendents of engineer Sir Joseph Bazalgette, who designed London's sewerage system in the mid-19th century, went underground yesterday to admire his handywork in the Wick Lane sewer at Bow. Most of Bazalgette's sewers are still in place. London has a total of 1,500km of trunk sewers, much of it built by Bazalgette

Families choose direct insurers

By Ralph Atkins

Direct insurers, selling via the telephone and advertisements, are proving increasingly adept at persuading homeowners to switch house content and structure policies, according to a survey by the NOP market research group.

In the first six months of this year, more than half of those who took out a combined structure and contents policy for the first time did so through a building society, the survey shows.

But direct insurers, in spite of acquiring only 4 per cent of all first-time customers, attracted 21 per cent of those changing their policies from one business to another.

"Consumers' experience with motor insurance has taught them to shop around for the best price. They are now using this experience in other markets – including household insurance," said Ms Heather McAdam, director of NOP's financial division.

She added that the housing insurance market was proving "increasingly dynamic. Although building societies are still acquiring the majority of first-time customers, they are finding it more and more difficult to retain this business." The survey was based on interviews with 60,000 adults.

NOP suggests that if the current trend continues, societies could begin to lose market share rapidly. It also finds that combined insurance policies are becoming increasingly popular – evidence that companies are putting more emphasis on cross-selling and promoting combined insurance products.

Howard aims to win over critics with past record

By David Owen

Mr Michael Howard will next week try to draw a line under what has been an immensely difficult year by portraying himself to Tory activists as the home secretary who has delivered.

With his competence increasingly under question after a string of mishaps Mr Howard's speech at next week's Conservative conference in Bournemouth is expected to draw heavily on the traditional Tory home secretary's pledges to crack down on crime and promote law and order.

But it will also focus on his record in the past 12 months, pointing out that he has already implemented the vast majority of the 27 law and order initiatives he unveiled at last year's conference.

In response to Tory grassroots concern about the nature of sentences handed out to some offenders, the speech is likely to contain a passage on the importance of punishment, arguing that prison conditions should be "decent but austere" and that prisoners' privileges must be earned.

This theme was highlighted yesterday in a speech on community sentencing by Lady Blatch, the home office minister, in Scarborough. She emphasised that sentences in the community should be an effective form of punishment and not a reward for offending.

Mr Howard's difficulties this year included the savaging in the House of Lords of two major pieces of Home Office legislation and the discovery of Semtex at Whitemoor prison.

Conference managers have done their best to shield him from excessive media exposure, scheduling his speech for Thursday afternoon during what looks set to be conference's most packed day.

But such is the opprobrium heaped on his recent performance, both from Tory ranks and outside, that it appears unlikely that competition from cabinet colleagues will keep Mr Howard off the front pages.

There is a growing feeling among some observers that Mr Howard could be in danger of the same fate as Mr John Patten, the former education secretary, who was in effect left to soldier on as a lame-duck minister before being ousted in the ministerial reshuffle last July.

Anything less than an enthusiastic reception from delegates would be seen as another step down this slippery slope.

Pension reform levy attacked

By Nicholas Denton

The pensions industry said yesterday that government proposals for funding new pensions regulation would discourage occupational schemes.

The National Association of Pension Funds criticised Department of Social Security proposals to make employers pay for the setting up and maintenance of the proposed pensions regulator.

The NAPF is staking its position in advance of legislation due to come before parliament this autumn.

The government has put forward plans for a levy on the industry to finance the estimated £10m cost of the new office and has estimated the total burden of the reforms will be between £60m and £140m.

The pension funds argue the expense could be 10 times that and may inhibit occupational pensions.

"Our members support the . . . recommendation that the cost of regulation should fall on the state," said Mr Ron Amy, the NAPF chairman. "It should not be borne by employers who choose to provide pensions for their employees."

The NAPF statement backs the position of the Goode committee on pensions law reform. The committee, set up after Mr Robert Maxwell had raided his companies' pension funds, called for an independent state-financed regulator to ensure there was no repetition of the Maxwell affair.

The government took many of the ideas on board in its white paper but watered down the power and independence of the regulator.

'It was rather like a long job interview'

Lisa Wood on the politically sensitive subject of young people working for nothing

Colin, a 23-year-old graduate in acoustic engineering, spent two months this year working for nothing, except expenses, at a well-established London-based film production company.

The result was a reference which secured him a job as a studio manager in a media company.

"It was rather like a long job interview," said Colin, who was surprised at the amount of responsibility he was given. "About half the people in the company where I was working started the same way, including the general manager."

An increasing number of young people like Colin are offering to take short-term, unpaid employment to gain a foothold in their chosen profession.

It is a sensitive area – there is a fine line between gaining genuine work experience and simply working for nothing.

Genuine work experience is part of much school and college-based training. For example, Pathfinders Personnel, the London-based media subsidiary of Angela Mortimer, the secretarial consultancy, arranges work experience of up to four weeks with a range of employers on behalf of secretarial colleges. In the past two years it has made about 1,000 such placements.

Ms Amanda Fone, a director of the consultancy, said that in a competitive labour market more and more companies were pleased to take students for a short time. "Work experience is not replacing the interview, but rather becoming part of it, with many employers recruiting young people they have met on work experience." she said.

The consultancy checked that companies were treating individuals properly. "We ask students to contact us if at any stage they feel exploited. But, at the same time, we have to be realistic," she said. "Sometimes students are asked to do bits of photocopying – but that is different from doing it eight hours a day."

Nevertheless misuse of work experience does occur and there is anecdotal evidence that the practice has increased during the recession, particularly in non-unionised companies.

Work substitution of this kind may be particularly common in areas young people perceive as glamorous, such as the media, where the fragmentation of the industry and growth of freelance work has diluted the power of trade unions to stop longer-term placements where they may believe unpaid workers are doing the jobs of full-time workers.

Bectu, the broadcasting trade union, where membership has fallen from 60,000 to 35,000 in the past four years, said: "We try to make it as difficult as we can for managements to abuse work experience."

It pointed to what it considered to be an associated problem in the film industry, where crews are paid less than £2 an hour with the prospect of more money only after the film has repaid its investors.

One problem for those on unpaid work experience is whether to continue to claim unemployment benefits. The lack of clear rules discourages individuals from declaring what they are doing.

It is not generally difficult for the person to satisfy the Employment Service that they are available for work. But the income support regulations operated by the Benefits Agency are more difficult to navigate.

If a claimant tells the BA about doing unpaid work, an independent adjudication officer will decide whether it is reasonable to do that work on a voluntary basis.

If the decision is that it is reasonable, all expenses relating to travel and meals are disregarded. The agency said the difficult part was assessing whether the job was truly voluntary, and the labour was extra to that provided by paid workers. "Obviously any charitable status of the employer or task would have a bearing on the decision," it said.

Sometimes individuals are able to incorporate unpaid work experience into government training schemes. Florence, aged 27, was offered unpaid work experience by the Open University. "The OU offered me experience but said they could not pay me for it," she said.

Her local Jobcentre arranged for her training at the OU to be under the state training programme for the unemployed, then called Employment Training.

Florence said: "Once they trusted me I got a lot of responsibility." she got up at 6am every day to travel from Leicester to the OU at Milton Keynes. "But they did not take me on to avoid taking somebody else on full-time. At no point did I feel exploited."

Florence was offered a job at the OU. She did not take it as she was also offered one at the BBC, which had been impressed by her CV. But "it was wonderful to be given the chance to perform at the OU."

Disease link with meat 'inconclusive'

By Clive Cookson, Science Editor

A government-funded study released yesterday shows an apparent link between eating meat and Creutzfeld-Jakob Disease, the human equivalent of BSE or "mad cow disease".

But the researchers said the statistical association was almost certainly a result of the way the study had been done rather than evidence that meat consumption could cause CJD.

The annual report of the CJD surveillance unit in Edinburgh said the number of CJD cases in the UK fell from 55 in 1992 to 40 last year after rising for the three previous years.

Statistical analysis of the cases showed no occupational link. People working with animals were no more likely than others to develop CJD.

CJD victims were more likely than matched control subjects to have been regular eaters of meat, particularly veal. Dr Robert Will, the unit's director, attributed this finding to "recall bias". He said the only way of learning about CJD victims' diet was to ask their relatives, who inadvertently exaggerated the amount of meat eaten because there had been publicity about a possible link between BSE and CJD through beef or veal consumption.

To support the "recall bias" theory Dr Will said there was a similar excess of veal eaters among people who were suspected of having CJD when their relatives were asked about their diet but who actually turned out to have died from Alzheimer's Disease and other forms of dementia.

The study concludes: "There is no conclusive evidence of any chance in CJD that can be attributable to BSE."

It says the apparent increase in CJD since the 1970s has been caused mainly by the fact that the disease is being recognised in people over 75 who would previously have been diagnosed as having senile dementia.

Brokers ordered to cease business

Clifton Stockbrokers, a long-established private client broker based in Torquay, has been ordered to cease carrying on investment business by the Securities & Futures Authority, David Wighton writes.

The regulator said the firm was "not fit and proper to carry out investment business and has committed serious acts of misconduct".

These related to its failure to meet its financial resources requirement laid down by the SFA and to "organise and control its internal affairs in a responsible manner". In particular the SFA said the firm had failed to register all its directors.

Rules on foreign exchange revised

The Inland Revenue yesterday published a legislative package for the modernisation of the tax rules governing foreign exchange gains and losses and financial instruments.

The package is the result of three years of consultation with businesses, many of which were concerned at the diversity of present practice.

Copies from Public Inquiry Room, Room G1, West Wing, Somerset House, Strand, London WC2R 1LB.

Loan manager gets five years

Mr Roy Wharton, the former chairman of Castlegate Securities, a Reading-based loan management company, was yesterday sentenced to five years' imprisonment for fraudulently mishandling £35m of investors' funds.

He was convicted last month at Oxford Crown Court of two charges of fraudulent trading. Having given assurances about the security of investments, Mr Wharton pursued a speculative strategy which meant investors bore most of the risk while he reaped the financial benefits.

Disqualification of auditor sought

Mr Andrew Magill, the district auditor who in January provisionally recommended that councillors and officers of Westminster City Council should repay £21.5m after "gerrymandering" the council's housing policy, yesterday heard legal representations that he should disqualify himself from the case.

Mr Anthony Scrivener, the barrister representing Lady Shirley Porter, who was leader of the council when the alleged offences occurred, said Mr Magill had already made his views public, although he had not heard submissions from the respondent.

Tram project wins £100m loan

The European Investment Bank is to provide an Ecu127m (£100m) loan towards construction of the £260m Supertram system in Sheffield.

The first phase of the 19-mile long tram line opened in March and the project is due to be completed in early 1996.

Sixth London bus company sold

London Transport yesterday announced the sale of Metroline Travel, a bus company operating in central and north-west London, to its management for £20m.

This brings the number of London bus companies to be privatised to six and the total raised from the sales to £140m. Four companies remain to be sold and deals are expected to be completed before the end of December.

More gas jobs go

A further 325 British Gas jobs are to disappear from northern England as part of the company's reorganisation. A total of 225 administration workers in British Gas's service group, based at Sunderland, Carlisle and Thornaby in Cleveland are being offered the chance to transfer to offices at Uddingston, near Glasgow, and 100 store workers at a British Gas centre in Newcastle upon Tyne have been asked to consider moving to Leicestershire.

Scheme dumped

Plans for one of Europe's biggest rubbish dumps at east Aberthaw, South Glamorgan, were thrown out yesterday after fears that flocks of gulls would cause a "bird strike" accident near Cardiff airport.

NEWS: UK

Bankers prepare to scrap the grouse shoot

Shares in UK investment banks slid this week after warnings from S.G. Warburg and Hambros Bank that first-half profits would be sharply lower. Wall Street is braced for US banks' third-quarter results to show sharp earnings falls. **Bronwen Maddox** and **David Wighton** ask whether Warburg's strategy is to blame for its situation, or whether it reflects a downturn in investment banking fortunes

Warburg's rivals did their best this week to be discreet about taking pleasure in its discomfort. One leading London banker said: "I don't want to be seen to criticise them, because it could be us next."

That question – whether the UK's biggest investment bank is simply the first of the pack to acknowledge the impact of difficult conditions – is at the forefront of bankers' minds.

This week's announcements startled the markets because they came just months after City and Wall Street houses doled out glittering bonuses. After years of belt-tightening bankers as well as proprietors of wine bars, estate agents for the most fashionable parts of London and Manhattan, and even the sporting agents for grouse shooting in Scotland had started to believe the good times were back.

They are not the only ones concerned about the prospect of another lean period.

Banking regulators have been casting an increasingly sharp eye on banks' exposure to risky activities. A new directive on capital adequacy – the amount of capital banks are required to have in proportion to their level of activity – has emerged from Brussels. In the US the Federal Reserve is considering if banks' exposure to some of the riskiest financial instruments should be more tightly monitored.

In Warburg's case it is clear that some of the disappointment stems from its own circumstances. To a much greater degree than its UK rivals, it has modelled itself for the past seven years on the US integrated investment banks, offering a range of trading services as well as fee-based advice to its clients. Its ambitious expansion, particularly into the US, has pushed up costs, but revenues in some regions have followed more slowly.

While it has established a strong reputation for research and equity sales on Wall Street, particularly for selling non-US stocks to US investment houses, it has found it much harder to peel prized corporate clients away from the blue-chip US houses. One Wall Street observer from a rival house attributed this to Warburg's "British, gentlemanly" approach, although Mr Nick Verey, chairman of Warburg Securities, retorted that the US operations are staffed mainly by Americans.

He said rising costs played only a small part in the half-year downturn, and instead blamed most of the fall on the turbulence in world bond markets since the Federal Reserve began to raise US interest rates on February 4.

Some observers believe Warburg may have suffered from

'You do not tear up the script after a few difficult months'

its relative inexperience in large scale trading. Mr Martin Hughes, banking analyst at Credit Lyonnais Laing, said: "I think we will see that the banks that are losing money are those that are less familiar with risk control methods."

That is an argument which Mr Verey rejected. "It is not the case that we have lost large sums on trades, just that we have not been making enough profit." He added that he was satisfied with the risk-management systems on which the bank spent millions of pounds a year.

His argument that Warburg's troubles reflect a wider phenomenon is borne out by Hambros' report of a deterioration in profits in bond trading during the first half. Analysts expect that other UK investment banks which have traded on a smaller scale than Warburg, such as Kleinwort Benson, will have suffered correspondingly less.

The pattern is repeated in the US, where the biggest traders have suffered most. Goldman Sachs' profits are believed to have fallen from $1.2bn (£750m) to $446m in the six months to May 27 because of a fall in bond trading income. First-half net profits fell 44 per cent at Morgan Stanley, 28 per cent at Bankers Trust and 19 per cent at J P Morgan. Salomon Brothers recorded a first-half loss of $138m.

At first glance many of these banks appear to have suffered less than Warburg, even though they are larger traders. Nor do they enjoy as healthy an injection of profits from asset management as Warburg does. Timing is partly to blame, however. Most US banks have so far reported only on profits up to June, whereas Warburg's warning covered July, August and September, when trading volumes shrivelled.

Analysts fear that third-quarter results from US banks, just starting to trickle out, will show a further plunge. This week Salomon announced that its third quarter would show an after-tax loss of $100m, and last month Lehman Brothers, which announced that it was cutting free lunches for its staff, saw third-quarter profits plunge 80 per cent to just $22m.

As many bankers stressed this week, trading is risky. Mr Verey said: "There is no perfect hedge against the risk – you have to take a risk to earn a return." In spite of this collective suffering, however, there are no signs that leading integrated investment banks intend to rethink their strategy and reduce their exposure to trading.

They still hold to the principle that they need a strong trading presence in order to compete for higher-margin business of underwriting, placing blocks of securities, and giving corporate advice.

But competition for big international corporate clients is increasing, as demonstrated by the current scramble for a share of the partial-privatisation of Deutsche Telekom, the telecommunications giant. The result, one leading London banker said this week, was that investment banking would become an ever more volatile business, in which banks would be forced into increasingly risky activities, such as trading in derivatives.

That trend could deal a powerful advantage to the largest banks, which are better able to withstand the markets' volatility. Analysts warn that it could also put severe pressure on the smaller ones, such as Warburg. Mr David Poutney, banking analyst at brokers Collins Stewart said: "They [Warburg's] are just going to get killed in the US every time."

Although Mr Simon Leathes, Warburg group finance director, said that the bank was not constrained by lack of capital, it is clearly dwarfed by its US rivals. As the biggest of the UK merchant banks it has shareholders' funds of £1bn and total capital resources of £1.5bn. However Morgan Stanley, Salomon and Bankers Trust are about three times the size while J P Morgan's shareholders' funds are six times bigger.

Analysts predict that questions of capitalisation may eventually force some banks to merge and others to withdraw from the most competitive sectors. But for the moment radical strategic changes are unlikely. Mr Leathes said: "You do not tear up the script after a few difficult months."

Some smaller tweaks to strategy can be expected. Warburg itself will look harder at whether some advisory work should be subcontracted to law firms, and at whether competing for small company business is worthwhile.

For Goldman's part, its senior partner elect, Mr Jon Corzine, said recently: "There are lessons to be learned. You get overly optimistic in the bountiful environment of bull markets. It was very easy in 1993 to think you ought to have a presence in every capital market in every major country in the world."

Some bankers are also reconciled to the prospect of job cuts. Mr Verey, who has announced a hiring freeze at Warburg, said: "We will look to see whether people need to be replaced when they leave."

But in spite of these adjustments the message from both sides of the Atlantic at the end of a sobering week was that the markets should not have been surprised by the news. When markets are tough, banks will suffer. In the course of economic cycles their profits will fluctuate.

The markets may have forgotten those facts in the heady atmosphere of last year, but this week's news was a reminder that the path trodden by the world's sleek-suited cohorts of investment bankers can be a rough one.

Trevor Humphries

The City of London's watering holes still seemed to be doing good business at lunchtime yesterday

Sorrows drown in £50 bubbly

Profits may be down and the markets bearish, but the bubbly was still flowing in the wine bars of London's financial centre this week.

"There is champagne being drunk, and people are still here past eight on a weekday evening," said a Lloyd's reinsurance broker, who was certainly accurate about Corney and Barrow's wine bar in the City's Leadenhall market. "I think it is hard to look at two isolated incidents of Warburg and Hambros doing badly and suddenly say the entire City is nervous about its jobs."

He shrugged and poured a generous glass of champagne for his companion. "But I'm in insurance so I couldn't say how it is over in the big banks."

At Broadgate Circle, the heart of the City's banking district, the mood in the watering holes was no less cheerful.

A trader at a Japanese bank quipped as he sank a beer: "If you think this is hopping, you should see the places where everyone has moved on to."

He said the profit warnings issued last week by S.G. Warburg, the investment bank, and Hambros, the merchant bank, appeared dismal only when compared with the previous year's performance. "Last year was not normal," he said. "The average person does not generate $10m revenue a year, but now that he is only making $2m, suddenly everyone says it's a tragedy."

If anything, the misfortunes of Warburg and Hambros elicited smirks rather than signs of anxiety. "They made their money too easy last year," said a trader in the structured finance department of Bank of Scotland, who was relaxing with colleagues at The Arbitrager on Throgmorton Street. "They made their money for turning up at work."

Under the influence of office sobriety, financiers admitted that the profit warnings could signal tighter times. A derivatives risk manager at J.P.Morgan said: "Last year it was easy to hire a mediocre risk manager because it was such an easy market to trade. What you will see after bonuses are paid is that a two-tier system will develop."

He said banks would continue to hire and pay "quality" people well but, he added: "What I am hearing around is that people are getting rid of the bottom 10 per cent of performers as they are rated internally."

So is it curtains for ski holidays, Christmas bonuses and magnums of champagne?

The revellers at Corney and Barrow in Broadgate scoffed as they ordered more champagne. A trader at a UK bank said: "At the end of the day people who work in this industry make a lot more money than people in any other business. So if they have a bad day and do not make a million, it's not as if buying another bottle of Moët for £50 is going to be a problem."

Motoko Rich

'Everybody is expecting less in bonus this year'

Pay and job cuts loom in the City after a week in which one US investment bank decimated staff and two UK houses issued profit warnings.

S.G. Warburg and Hambros said they were reviewing labour costs after warning that bond markets would depress first-half profits. Warburg is under particular pressure to economise – staff costs rose 40 per cent last year to give the average employee £105,000 a year, the highest of any UK house.

Bonuses, which can make half of an employee's compensation in a good year, are heading down. A fixed-income securities trader with five years experience could typically have made £100,000 last year, half in salary and half in bonus. A City headhunter said: "Everyone is expecting considerably less in bonus this year."

Cuts will not be across-the-board. The manager of one US investment bank's London derivatives operation said: "Good people will get higher bonuses. There will be more disparity."

One crude forecast puts bonuses at US investment banks in London down between 30 per cent and 50 per cent from last year's lucrative year. The guaranteed bonus, a feature of recruitment negotiations in 1993, is now rare.

Lowering pay may not reduce overheads enough and lay-offs are on the agenda. Both Warburg and Hambros have denied any intention of immediate job cuts. Sir Chips Keswick, deputy chairman of Hambros, said: "I am certainly not going to rush off and fire people at the wrong end of the cycle."

Salomon Brothers of the US, which has suffered the heaviest reported losses in securities markets, has resisted lay-offs. But US investment banks such as Kidder Peabody, Lehman Brothers, Merrill Lynch and CS First Boston have announced lay-offs.

S.G. Warburg has maintained its investment rating in spite of issuing a profit warning earlier this week. Standard & Poors, the US rating agency, has assigned its A+ rating to SGW Finance's $250m guaranteed floating-rate notes due in 1998. The UK investment bank won the renewed grading even after this week's profits announcement.

S&P's judgment allows Warburg to maintain its claim to be the only UK house with a rating to match those of the most strongly capitalised US investment banks.

Goldman Sachs will not comment officially but insiders at the firm, until recently one of the most aggressive recruiters, speak of impending dismissals. An executive with a rival firm said: "Goldman would hire three people with the view that they would keep one, possibly hold on to another and sack the third."

The shake-out at US investment banks bodes ill for employment in the City. Mr Patrick Alexander, partner at Korn Ferry, the executive search company, said: "It is like night following day that if people are being cut in New York there will be people eventually cut in London."

Already CS First Boston has laid off 10 employees in London, as well as 70 in New York. Lehman Brothers is proud of limiting redundancies at its 1,650-strong London office to "single figures". Several City firms said there had been a burst of CVs arriving from nervous Goldman Sachs employees.

Banks portray lay-offs as a reflection of the performance of the employee, rather than the fortunes of the bank. Most investment banks rate their employees and a decimation would involve sacking the weakest 10 per cent. A senior British investment banker said: "There are ways of doing it by aggressive quality control."

While employment in trading and sales of bonds is under pressure, other areas of investment banking such as derivatives and advice on mergers and acquisitions are healthier. A hopeful trader at a Japanese bank said: "They are still hiring people in derivatives."

US investment bankers set great store on training to enable staff to switch from one speciality to another as different markets rise and fall. But some feel there are limits to such flexibility. One derivatives salesman said brutally: "People in derivatives are clever. People in fixed-income are generally not."

This year's tough conditions may, as in the late 1980s, push some people not just from their current job, but out of the industry entirely. The head of one US firm's UK operations said: "It is painful but it is just something that happens to our industry every two or three years."

Nicholas Denton

Toyota considers expansion at Derby

Toyota, the Japanese carmaker, is considering the assembly of additional derivatives of the Carina E family car range at its Burnaston plant near Derby, Kevin Done writes.

The company is expected to announce later this year that it will assemble diesel versions of the Carina range using engines imported from Japan.

It is also considering the expansion of the UK-built range of saloon and hatchback cars with the addition of an estate car.

Toyota is expected to add a second car range to its UK production operations in the second half of the 1990s, increasing capacity to 200,000 cars a year. Output is expected to be nearly 90,000 cars this year and to rise to about 100,000 next year.

Toyota expects to sell about 110,000 Carina E cars in all versions in Europe this year, of which about 80 per cent will be built in the UK.

The Japanese carmaker is facing difficult conditions in the west European car market this year with its sales falling by 4.1 per cent in the first eight months in an overall market that increased by 6 per cent.

Underground achieves 75% service in spite of strike

By Richard Donkin, Labour Staff

London Underground ran three-quarters of its train services yesterday during the 24-hour strike by members of the RMT union.

The union said last night that it was unable to estimate how many of its 7,500 members at London Underground had responded to the strike call.

London Underground was able to staff most of its services. Only one of London's 270 Tube stations had to be closed and that reopened at lunchtime.

The worst effect may have been in low passenger volumes and lost revenue because many people who normally travel by Tube made alternative arrangements. Underground managers were unable to give passenger figures. On an average day there are about 2.5m passenger journeys on the Tube system.

The greatest disruption occurred during rush hours. In off-peak hours, the Underground said, it managed to run nine out of 10 trains.

The union executive is to meet on Monday to decide on further action. It has asked for more talks at the Acas conciliation service, but London Underground refuses to increase its offer of a 2.5 per cent rise.

The union has asked for a 4 per cent rise. Five other unions representing Tube workers have accepted the 2.5 per cent deal.

Rail company switches to buses

By Charles Batchelor, Transport Correspondent

One of the newly created train operating companies is to use buses for some services on one of its branch lines because of a shortage of guards.

North London Railways said the shortage was not the result of the break-up of British Rail. But its move has strengthened fears that small privatised railway companies will face operating difficulties because they are unable to call on resources from other parts of the railway network.

The train company initially announced plans to replace all services on its Bedford to Bletchley branch line with buses so that it could assign staff to the main Northampton-London Euston services.

But yesterday it said it had reached an agreement for some guards to work 12-hour shifts instead of the more normal eight hours, maintaining a train service on the line for most of the day.

North London was caught out when 25 of the 97 guards at its Bletchley depot were successful in their applications to move to other depots.

Guards sometimes wait years for the depot of their choice to come up. If a guard is successful in his application he is allowed to move within eight weeks, although it can take 13 weeks to train a new guard from scratch.

The shortage of guards has led to an increase in the number of train cancellations. North London said it had decided to concentrate guards on its main line, carrying 30,000 passengers a day, and to reduce its service on the branch line, which carries only 800 passengers.

North London said that even under BR it would have taken time to retrain guards from other routes. But Mr Alan Francis, transport spokesman for the Green party, blamed the reduced service on privatisation, saying BR managers could pool staff in times of shortage.

BR said service reductions because of staff shortages were unusual, and the last time this happened was six or seven years ago.

North London said its temporary timetable involving buses would last until November 21, when it would resume a full train service.

It said 43 new guards had been recruited or were being trained.

Rover counts up the benefits of surging productivity

David Goodhart assesses the pay deal which may set a motor industry benchmark

Since 1992 when Rover Group agreed its "new deal" – giving workers job security and single status in return for much greater flexibility – it has been hailed as a model for Britain's new co-operative industrial relations.

Following yesterday's generous two-year deal – giving up to a 10.7 per cent pay rise over two years – it may also become known as the benchmark for motor industry pay bargainers, at least for trade union negotiators.

That role used to be played by Ford – most famously with its 13.4 per cent rise at the end of 1990. But Rover, with its surging output and exports, is now challenging hard.

Part of the pay rise is a direct consequence of the 1992 deal. The introduction of single status – the ending of all status distinctions between blue and white-collar staff – was started only in 1992. This pay deal takes it a lot further.

Instead of 11 grades – six for white-collar staff and five for manual workers – there will be just three for all staff. The A grade will cover lower skilled manual and clerical workers, with average basic pay of £284.50 per week. The B grade will cover skilled craftsmen and more qualified white-collar staff such as accounts clerks, with average basic pay of £311.85. The C grade covers team leaders and design engineers, with an average salary of £17,957.

Different groups receive different sums for agreeing to these changes and some receive nothing at all. But the extra payments for this regrading accounts for the different interpretations of the deal. The company stresses that the 3.7 per cent pay rise in 1995 and 4 per cent (or inflation) in 1996 while the unions insist that for many people the deal is worth 10.7 per cent.

Many managers in the car industry are sceptical about the benefits Rover has gained from its new deal. Many more of them – especially in the west Midlands – will be cursing the Rover Group for setting a high pay benchmark. The current Jaguar negotiations, for example, seem likely to be affected.

But whatever the scepticism, Rover can point to some remarkable productivity improvements. At Cowley, Oxford, for example, productivity has increased 30 per cent over the past two years. Overall productivity is up only 14 per cent in that period, but that is partly because of the difficulty in improving productivity at labour-intensive Land Rover.

The Rover management can also point to the fact that they are paying wages according to the performance textbook. When the company was in trouble in 1992 it had a six-month pay freeze. Now that it is doing well it is allowing a pay catch-up.

In other words it is pay, rather than jobs, that is taking most of the strain of market fluctuations. Since 1992 the company has stuck to its commitment not to make anyone compulsorily redundant. Notwithstanding that commitment the company has still had some flexibility, with a reduction of nearly 10 per cent in employee numbers between 1991 and 1993.

Since then job numbers have been rising and, unlike many other carmakers, Rover has been taking people on open-ended contracts rather than temporary contracts.

One economist with a leading employers' organisation said: "When productivity is rising as fast as it seems to have been at Rover, then both workers and customers can benefit. In the past in the motor industry productivity deals have either been bogus or most of the benefit has simply returned to the workers with little or nothing going to customers in lower prices."

NEWS: THE LABOUR PARTY IN BLACKPOOL

Modernisers cap the party with a jazzy end

By James Blitz

Few believed a Labour party *conference would* ever end like this.

Delegates stared in disbelief as a team of colourfully clad musicians burst through a side entrance of the Winter Gardens, sauntered up to the platform and proceeded to pump out New Orleans jazz.

Before they prepared to sing the Red Flag, Mr Tony Blair's party clapped along to the Dixieland numbers. And to cap it all, Mr John Prescott, the deputy leader, executed a neat jive with his wife on the conference platform, receiving some of the loudest applause of the week.

As a historic conference drew to a close many delegates were delighted to see Mr Blair's "New Labour" party openly enjoying itself, matching the Tory reputation for *joie de vivre*, looking to viewers at bome like a member-friendly party.

But for many leftwingers the images at this conference – the greenish hackdrop, the questioning of Labour's basic beliefs, the leader's smart-suited aides clutching portahle telephones – have left a sense of unease.

With Dixieland music still ringing in his ears, Mr Leigh Richman, a 26-year old delegate from Peckham, asked a question that has been on many lips this week: "Where on earth is the Labour party going?"

As they hurried to leave Blackpool yesterday it was the so-called "modernisers" – the men and women who back Mr Blair's campaign to unhinge Clause 4 and the commitment to common ownership – wbo had the clearest answer.

Yes, the delegates' decision to reassert the cherished commitment to nationalisation had been a setback for Mr Blair. The conference had defied his call for a revision of the constitution and had brought his post-election honeymoon to a close.

But this did not reduce their delight that Mr Blair is now taking on the dinosaurs of the left.

Mr Mike Gapes, MP for Ilford North, said: "I left last year's conference with pessimism. I felt then that we weren't progressing anywhere. Now I believe we are moving forward and changing the party for the better."

Mrs Anne Inelgrove from Bracknell concurred. The conference decision to hack Clause 4 could he ignored. "Without that row, people would have said the conference was stage-managed," she said. "But tbe truth is that most of the party is now reconciled to change."

Above all, Mr Blair's supporters relished the quality of his keynote speech. One delegate said: "When Neil Kinnock addressed conference, you could often fall asleep, wake up again and find he was on the same theme. This week we got John F. Kennedy."

For the activists on the left of the party it was very different. As they prepared to go home the anger over Clause 4 had not been allayed.

Mr John MacIntyre, president of the Manufacturing and Science Federation said: "Tony Blair made a tactical mistake by raising the issue. There was simply no need for him to make that reference in the speech."

Indeed, criticism was not hard to find. "A disastrous week," was the verdict of Mr Bill Stevens from Plymouth and Sutton. Mr Tom Farnhill, a 20-year-old delegate from East Devon, said: "He couldn't have chosen a worse time to raise this issue." Anotber delegate said: "In the next few months this could seriously split the party."

As be sets about revising the constitution Mr Blair knows that be has the upper hand hecause the hard left of the party is losing ground. One leftwing MP said there were many like himself wbo believed that their best hope now was to take up the challenge Mr Blair had set them, redefining "commoo ownership" in a modern context.

He said: "Our slogan has to be: 'New Britain. New Labour. New Left'." Like some delegates, he believed Mr Peter Hain, the MP for Neath, could play a prominent part in developing the theme.

But even some of the leader's closest supporters expressed concern that change was being driven too fast.

One rightwing MP privately admitted that Mr Peter Mandelson, the party's former campaign director and a close aide to Mr Blair, had abused the unions too much at the conference and could sow divisions.

As they left Blackpool many delegates believed that next year's conference would hring this week's divisions – over Clause 4, the minimum wage and full employment – to a head. But they also knew that Mr Blair and Labour have set a formidahle challenge.

Firmer line on media urged

By Roland Rudd

Tbe Labour leadership came under pressure from delegates to make a firmer commitment to break up media monopolies and introduce regulation guaranteeing the freedom of a pluralistic press.

Ms Mo Mowlam, shadow heritage secretary, said while cross-media ownership was a fact of life, a future Labour government would "regulate both nationally and regioually to preveot media monopolies and protect the future of public service broadcasting".

A succession of speakers in the debate urged the leadership to go further and draw up a "clearer policy oo media ownership".

Ms Maggie Lee, from North Norfolk, said: "If democracy means anything to Labour it must meon an informed democracy. We need to spell out where the party stands on this issue. We need proper newspaper regulation in an attempt to break up the monopolies."

The concentration of media ownership in Italy was cited by some delegates as an example of what could happen in the UK if the present situation was left uochanged. There were also calls to prevent "media barons" such as Mr Rupert Murdoch using profits from television loterests to help cut the price of newspapers "to put others out of business".

Bectu, the broadcasting union, said there was a need to preserve and promote European public-service broadcasting in the face of competition from weakly-regulated private-sector satellite television channels.

Ms Mowlam said the parliamentary Labour party would continue to campaign against moves to further deregulate the media lodustry.

Delegates overwbelmingly backed a call to reconfirm the party's commitment to public-service broadcasting and to preveot any future moves to deregulate the industry.

Blair's control of executive is reaffirmed

By Ivor Owen, Parliamentary Correspondent

Mr Tony Blair's authority over the party was underlined when the conference decisively rejected an attempt to reassert its own dominance over the national executive.

The growing isolation of his critics was emphasised when a card vote resulted in a resolution reaffirming tbe conference's "unique position" heing defeated by 72.7 per cent to 27.3 per cent.

In the most controversial debate of the final session constituency activists loudly cheered complaints by some delegates that the views of the conference on the retention of Clause 4 in the party's constitution were being ignored.

Ms Christine Bowden, from Hove, protested that a motion passed by the conference on Monday had been "overturned" hy Mr Blair when he called for a review of tbe constitution in his speecb the following day.

Sbe said: "Conference is our voice – listen to it Tony Blair. We don't come here to bask in reflected glory."

Ms Bowden deplored tbe "setback for Blair" beadlines earlier in the week when the conference narrowly voted in favour of retaining Clause 4. "Company directors don't describe shareholders' decisions a 'setback'," she said.

To further applause, Ms Bowden said that it was the constituency activists who did the "door stepping" and lived in the same world as the electorate with which the party had lost touch in recent years.

Ms Agnes Davies from Cumnock, Carrick and Doon Valley said: "I have no intention of coming to a conference when the decisions abont what is going to happen have already been made."

In a clear response to the anxieties of some delegates, Mr Larry Whitty, in his final speech as the party's general secretary, urged the leadership to remember "yon have to take the people with you".

He highlighted the importance of the party's links with the trade unions.

Ashley Ashwood

Deputy leader John Prescott said that the policy statement to be submitted to the national executive committee by him and Tony Blair would "ignite the public with enthusiasm for our beliefs". He added: "We will set out afresh our values and explain them in a language that everyone can understand"

Leaders lay plans for parliament

By Kevin Brown, Political Correspondent

The Labour leadership left the Blackpool conference yesterday planning a radical overhaul of the party's parliamentary activities to sustain the momentum of Mr Tony Blair's *modernisation drive*.

Mr Blair, who believes that the conference has changed the nature of the Lahour party, has told friends that be will refuse to "follow the government agenda" when MPs return to Westminster this month after the summer break.

He believes Mr John Major's government can be unsettled by more imaginative use of Labour's parliamentary rights, and better attandance hy Labour MPs.

The campaign will start with a shake-up in the frontbench team, including the shadow cabinet, to give talented younger MPs more opportunity to shine.

But the focus will be on Mr Blair's performance at prime minister's qnestion time, the twice-weekly ritual intended to allow MPs to hold Mr Major to account.

Mr Blair believes he can rattle Mr Major hy avoiding the formulaic approach of most recent oppostion leaders in favour of a more unpredictable strategy.

Allies say he intends to illuminate Labour's political approach rather than merely seek to exploit government emharrassment on topical issues.

Mr Blair may also decide to ask a single question occasionally, rather than the often repetitive ration of three to which custom entitles him.

The change of parliamentary tactics is part of a series of measures intended to put fresh life into Labour's image, which party strategists helieve has put off voters.

The revised approach was signalled as the conference drew to a close and Mr John Prescott, the deputy leader, promised that the leadership would "put a smile on the face of our politics".

As delegates prepared for the ritual singing of The Red Flag – assisted this year by printed songsheets to avoid embarrassing stumbling over the words – Mr Prescott called for an end to "dreary meetings" attended by half a dozen members.

Launching a recruitment drive intended to raise membership from 290,000 to 500,000 in two years he told delegates: "There is more to Labour than composites and committees."

In a witty speech largely delivered from notes – unlike his barnstorming end of conference speech on one-member-one-vote last year – he told delegates to "stop speaking the language of the past and start practising the politics of the future".

Mr Prescott warned against complacency, but said the Conservatives were "running scared" of a Labour party which had learned its lessons and was again hungry for power.

"Tony Blair is leading a party which is reaching out to people and inspiring them with a new politics," he said.

FT - SE Actuaries Share Indices - Quarterly Valuation

	Market cap. as at 30/9/94 (£m)	% of All-Share Index	Market cap. as at 30/6/94 (£m)	% of All-Share Index	Market cap. as at 31/12/93 (£m)	% of All-Share Index
FT-SE 100†	498,500.00	71.31	476,200.00	71.20	553,284.99	73.08
FT-SE Mid 250†	149,100.00	21.33	144,300.00	21.47	157,510.89	20.81
FT-SE Mid 250 ex. Inv. Trusts†	132,700.00	18.98	128,500.00	19.13	141,007.03	18.63
FT-SE A 350†	647,600.00	92.64	622,500.00	92.67	710,795.87	93.89
FT-SE SmallCap†	51,400.00	7.36	49,200.00	7.33	46,244.70	6.11
FT-SE SmallCap ex Inv. Trusts†	43,400.00	6.21	41,600.00	6.19	38,091.74	5.03
FT-SE-A ALL-SHARE	699,043.85	100.0	671,697.40	100.0	757,040.57	100.00
10 MINERAL EXTRACTION (18)	62,185.63	8.90	60,088.15	8.95	59,939.30	7.92
12 Extractive Industries (4)	10,732.92	1.54	10,085.60	1.50	10,268.19	1.36
15 Oil, Integrated (3)	46,776.83	6.66	45,530.05	6.78	45,379.15	5.99
16 Oil Exploration & Prod (11)	4,675.66	0.67	4,502.50	0.67	4,291.96	0.57
20 GEN MANUFACTURERS (266)	140,954.30	20.16	140,705.31	20.95	146,206.27	19.31
21 Building & Construction (33)	6,088.92	0.87	6,400.60	0.95	6,562.48	0.87
22 Building Matls & Merchs (32)	20,468.99	2.93	20,275.63	3.02	23,199.21	3.06
23 Chemicals (23)	16,846.08	2.41	16,381.64	2.44	15,921.21	2.10
24 Diversified Industrials (16)	34,261.84	4.90	36,056.37	5.37	37,842.39	5.00
25 Electronic & Elect Equip (34)	15,268.83	2.18	15,121.76	2.25	16,800.06	2.22
26 Engineering (70)	25,738.37	3.68	25,058.52	3.78	25,359.15	3.36
27 Engineering, Vehicles (12)	6,752.01	0.97	6,270.48	0.93	5,633.06	0.74
28 Printing, Paper & Pckg (26)	11,397.08	1.63	10,912.83	1.63	10,198.33	1.35
29 Textiles & Apparel (20)	4,132.24	0.59	4,226.46	0.63	4,690.36	0.62
30 CONSUMER GOODS (97)	128,477.15	18.38	121,006.75	18.01	140,676.26	18.58
31 Breweries (17)	12,978.47	1.86	12,644.50	1.88	13,727.31	1.81
32 Spirits, Wines & Ciders (10)	24,996.99	3.58	24,202.76	3.60	26,737.08	3.53
33 Food Manufacturers (23)	25,043.75	3.58	23,266.98	3.46	27,007.08	3.57
34 Household Goods (13)	3,066.75	0.44	3,194.66	0.48	3,599.94	0.48
36 Health Care (21)	4,809.49	0.69	4,459.43	0.66	4,769.93	0.63
37 Pharmaceuticals (12)	44,108.75	6.31	40,914.42	6.09	47,798.19	6.31
38 Tobacco (1)	13,452.93	1.92	12,324.00	1.84	17,036.73	2.25
40 SERVICES (221)	138,565.32	19.82	135,219.92	20.13	148,426.99	19.61
41 Distributors (31)	6,967.76	1.00	7,286.11	1.09	7,663.22	1.01
42 Leisure & Hotels (25)	18,182.58	2.60	17,685.52	2.63	16,972.16	2.24
43 Media (39)	26,112.46	3.73	24,571.83	3.66	26,892.79	3.53
44 Retailers, Food (16)	20,549.50	2.94	19,155.08	2.85	20,339.96	2.69
45 Retailers, General (45)	38,566.55	5.52	38,750.38	5.77	44,786.57	5.91
48 Support Services (41)	9,279.07	1.33	9,140.12	1.36	10,045.12	1.33
49 Transport (16)	17,779.29	2.54	17,526.12	2.61	20,211.21	2.67
51 Other Services & Business (8)	1,118.11	0.16	1,105.69	0.16	1,715.94	0.23
60 UTILITIES (36)	95,018.10	13.59	87,972.26	13.10	108,572.24	14.34
62 Electricity (17)	30,769.94	4.40	27,552.06	4.10	31,690.04	4.19
64 Gas Distribution (2)	13,407.84	1.92	12,090.95	1.80	15,311.37	2.02
66 Telecommunications (4)	38,200.91	5.46	37,300.34	5.56	47,394.36	6.26
68 Water (13)	12,638.21	1.81	11,028.91	1.64	14,176.48	1.87
69 NON-FINANCIALS (638)	565,188.46	80.85	545,002.41	81.14	603,821.06	79.76
70 FINANCIALS (104)	107,716.07	15.41	103,491.93	15.41	128,834.41	17.02
71 Banks (10)	59,418.90	8.50	56,841.91	8.46	73,656.04	9.73
73 Insurance (17)	14,366.01	2.06	13,450.46	2.00	17,687.01	2.34
74 Life Assurance (6)	9,756.72	1.40	9,365.17	1.40	11,549.36	1.53
75 Merchant Banks (6)	4,647.77	0.66	4,360.25	0.65	5,600.90	0.74
77 Other Financial (24)	5,659.65	0.81	5,424.27	0.61	5,761.46	0.76
79 Property (41)	13,847.02	1.98	14,049.87	2.09	14,578.64	1.92
80 INVESTMENT TRUSTS (124)	26,139.30	3.74	23,203.03	3.45	24,385.10	3.22
89 FT-SE-A ALL-SHARE (866)	699,043.85	100.00	671,697.40	100.00	757,040.57	100.00

† Figures rounded due to slight pricing inconsistencies.

Delegates urged to remember history

Mr Larry Whitty, party secretary, urged delegates to "remember your history".

He said in his last speech to a party conference as general secretary: "Remember the history of the hroader Lahour movement and the trade union movement. Remember tbose people who through the had years have voted for you through bad times and through good.

"And remember that in progress in life and in politics you have to take the people with you. And in that context let us always remember that the trade union base of this party is its greatest strength and not its weakness."

People did not join the party because of what was said at conference or because of a slogan or a logo, said Mr Whitty. "They join hecause they are angry. They join because they want change. And we can redraft our aims and constitutions as much as we like – and I believe we should. But the essence of this party is that it stands for radical, redistributive change within our society."

He warned that the party and the unions had to move together "otherwise we fail together".

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Prudence redefined

The uncomfortabla condition known to economists as structural adjustment is, it seems, to be visited on the hapless man from the Pru. From next January, the giant of the Britisb life assurance business will cease to sell new 'industrial hranch' policies – the technical description for door-to-door home sales of life assurance. Since industrial life policies are an expensive and largely anachronistic form of saving in the world of fax, phone and direct dehit, the change is overdue. But it is a piece or social history for all that. The step also raises the question of why savings hahits have responded so slowiy to a changing economic environment.

Industrial life assurance bas always been open to the criticism that the man from the Pru and his ilk took a disproportionate bite out of the individual's savings before any money was actually invested. in the days of Victorian paternalism, this financial penalty arising from the need to remunerate the sales force was perceived as an antidote lo working class fecklessness. Money ill-spent on a poor form of insurance was at least hetter spent than money in the pub. The man from the Pru was, in effect, selling the financial equivalent of cocoa.

The fact that this technically inefficient – and latterly tax inefficient – practice survived into the prosperous 1990s must owe a great deal to the lack of transparency in the life assurance husiness itself. In the absence of adequate disclosure about the costs of a given pollcy – a deficiency oow heing addressed under the naw financial services regime –less sophisticated savers had no reason to helieve that they were suhstantially worse off than if they had invested elsewhere. Inflation, meantime, made the returns sound generous in relation to the money outlays over a lifetime of saving. In fairness to the insurers, it should also be said that the high level of investment returns in the postwar period helped mitigate the pain arising from the insurance companies' costs.

Financial penalties

Industrial branch business is now so small that if the whole of the insurance industry were to abandon it tomorrow, it would make little difference to the aggregate savings behaviour of the nation. But that does not mean that the less well off in the late 20th century are not subject to comparahle financial penalties. As a recent paper on the distribution of wealth from the Institute for Fiscal Studies confirmed, less well-off households have invested disproportionately in interest-bearing accounts with hanks and building societies. Sinca these are tha most heavily-taxed forms of wealth, it is the state rather than the insurance companies that now fills the role of predator.

This is just one indication of how strangely the taxation of savings fits with wider priorities. Another is the way that the savings of the better off have been biased by fiscal incentives towards illiquid, longer-term forms of investment such as home ownership and pensions. Despite growing labour market insecurity and disinflation in the housing market, the retreat from liquidity in savings remains pronounced.

Savings behaviour

Do such apparent imhalances matter? Perhaps not as much as they used to. in a macro-economic context, since surpluses and shortfalls of savings can now be readily made good in a world of global capital flows. Yet governments inevitably worry about the impact on their finances of underprovision hy individuals for retirement and misfortune. And there are political arguments in favour of increasing people's stake in the productive assets of the economy. For private individuals, the balance between the precautionary motive for saving and the need to smooth out income to meet different consumption requiremants over the course of a lifetime clearly does matter considerably. The case for tax neutrality hetween spanding today and spending tomorrow is thus very powerful.

Yet economic shocks are quite as important as fiscal sticks and carrots in changing savings behaviour. It was the great inflation of the post-war period that drove the British into one of the highest levels of home ownership in the developed world and into taking on what is now the highest level of mortgage deht to housing equity in living memory. And while fiscal incenhives contributed greatly to the growth of the lifa assurance industry, it is the reguletory shock of disclosure that now seems likely to put an end to the industrial life assurance business, while causing an important if less dramatic upheaval in the forms of other of savings on which insurers rely for their revenues.

The Prudential salesmen will not, admittedly, hang up their hats quite yet. There is an existing portfolio of policyholders to be serviced. And there are other jobs for these salesmen to do within the Pru itself. To that extent, the hlow of structural adjustment is cushioned. But what of pride? As of yesterday the man from the Pru has been reduced to the status of an inefficient delivery system. That's the 20th century for you.

Tony Blair has ensured that John Major cannot win the next general election by default, says **Philip Stephens**

An instinct for the centre

You could sense from as far away as Blackpool the ministerial band-wringing in Whitehall. Mr Tony Blair achieved something rare this week. For the first time since 1979, e Labour leader set the terms for the Tory conference.

As Mr John Major contemplates his week in Bournemouth, he knows his parformance will be judged against the powerful dehut of his Labour opponent. Mr Blair reached out beyond his party's activists to the disaffected Tory voters who will decide the next general election. Mr Major must hegin to explain why they should return to the Conservative fold.

This should not be a crisis conference for the prime minister. Unusually since the sterling debacle on Black Wednesday, there is no immediate threat to his leadership. The economic recovery is real and well-balanced. For the moment, he has papered over the cracks in his party over Europe.

So, fingers crossed, next week will be, as was always planned, a sedate affair: a mid-term etock-taking axercise with no grand pronouncements, no great visions. Facing an audience still badly hruised by recession and angered hy rising crime rates, the message has gone out to ministers to avoid any hint of triumphalism.

After his performance in Blackpool, there will be no real attempt to demolish Mr Blair. The voters are fed up with the politics of knocking; more seriously, ministers have yet to discover a credible line of attack on the Labour leader.

The message Mr Major wants to repaint on his government'a peeling shop front is one of quiet, gritty competence. Don't worry, it says to those disillusioned Conservatives, we will arrive before the election.

The prime minister's image-makers are taking a similar tack in rehuilding his reputation with the voters. No, he is not a towering political figure in the mould of his predecessor. But look at how he gets things done.

He has taken hard decisions on the economy; and they are paying off with low inflation and steady growth. He has taken risks in Northern Ireland; and there is the best hope of peace for 25 years. He has stood up for Britain against the hated hureaucrats of Brussels; and he will do again at the 1996 intergovernmental conference.

The safety-first approach is understandahle. Conservative Central Office has spent the past month quizzing disaffected supporters. The voters are unconvinced hy the reality of economic recovery. This is an upturn in which their disposable income is falling, not rising. So are house prices. And there are more tax increases to come.

The electorate shares traditional Tory values on law and order and education. But it judges the government is not delivering safety on the streets or high standards and discipline in the classroom.

Nor are the voters keen on the idea that the new breed of highly-paid hureaucrats in the national health service spend more time furnishing their executive suites than improving patient care. It is no accident that Mr Michael Howard, the home secretary, and Mrs Virginia Bottomley, the health secretary, are among the nation's least popular politicians.

All of this is perfectly clear to anyone who strays occasionally into the world of real people. But politicians only believe the ohvious after they have paid huge sums to discover it from the opinion pollsters.

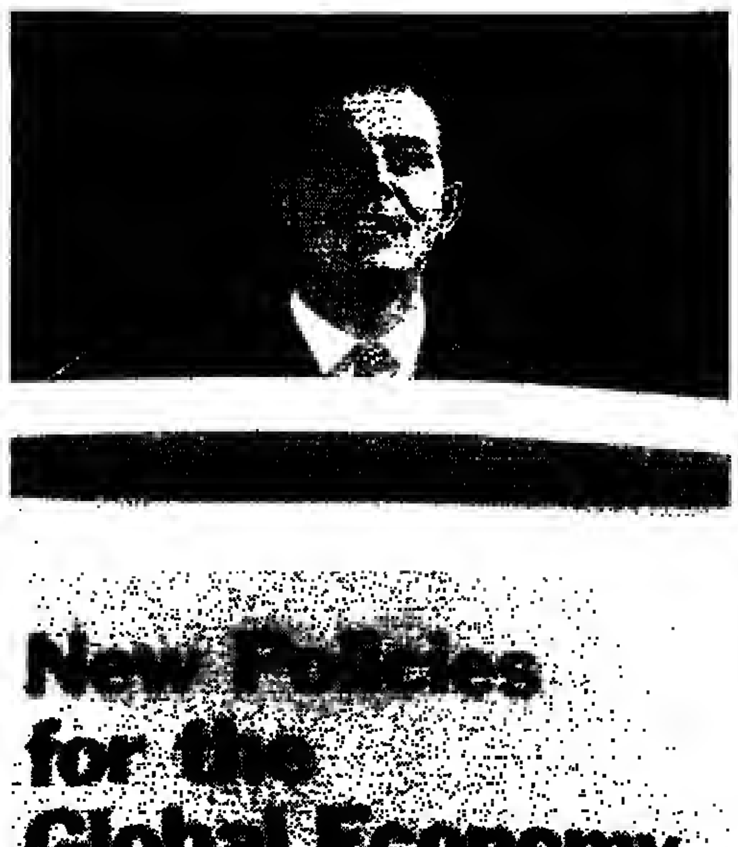
Mr Major's theme – assuming that he has not ripped up his speech entirely in the wake of Mr Blair's appearance in Blackpool – will be security.

The voters of middle England are troubled hy a changing, harsh and competitive world. The middle-class life plan, the bedrock of Tory support in southern England, is threatened by the pace of technological change, hy a cash-strapped welfare state and, above all, hy an insecure employment market.

The government's answer is the promise of a steady, sustainahle recovery instead a return to boom and hust; a deregulated economy that allows Britain to keep up with world competition; and, when Mr Kenneth Clarke judges they can be afforded, all-important tax cuts.

It is an approach that most in the cabinet bave signed up for. Mr Clarke, still hankers for another hurst of radicalism, hut the consolidators have the ear of No 10 Downing Street. The one controversial announcement scheduled for next week – privatisation of the Royal Mail – has now been delayed until the Tory faithful return bome.

There is nothing much now that the Conservatives can do to rewrite the script for Bournemouth, though plenty of ministers will spend the weekend sharpening up their speeches to dispel any hint of complacency. But a strategy tailored to the pressures of the party conference will not be enough to counter the threat from Mr Blair. The opposition now has a leader with the authority and tbe intellect to take on the Conservatives in the battle of ideas.



Ashley Ashwood
New Labour: Tony Blair has reached out to disaffected Tory voters

Sure, his party still has the capacity to shoot itself in the foot (though in the 1980s it tended to aim the gun at its head). Conference defeats this week on Clause IV public ownership and defence will give ministers much-needed ammunition in Bournemouth.

But Mr Blair knows where he is going: into the political centre ground. Labour is to represent the aspirant classes. For all the talk of modernism, what he is doing is reconnecting it to its traditional roots as the party of opportunity. The voters who elected Mr Clement Attlee in 1945 and Mr Harold Wilson in 1964 were won over not hy dewy-eyed socialism but hy the promise of a brighter future.

The prime minister's view that the anxieties of middle England will be the most potent force at the next general election is shared hy the Labour leader. The difference is that Mr Blair judges that the electorate's instincts have shifted back towards the centre. The individualism of the 1980s has become the insecurity of the 1990s.

It was no accident that in Tuesday's speech Mr Major was not mentioned hy name; nor for that matter were Mr Clarke or Mr Douglas Hurd. Mr Blair's targets were the embattled Mr Howard and Mr Michael Portillo, the standard-bearer of the Tory right. Forget Lahonr's left-wing past, the Tories are the extremists now, he was saying.

There are flaws. It was easy to detect in the speech the tensions between his emhrace for the market and the romanticism of Old Labour, easier still in the speeches of shadow cabinet colleagues. He will fece serious internal hattles over tax before the next general election.

To watch Mr Blair up close though is to understand how determined he is that New Labour will win. He has already in his back pocket a draft of the new statement of aims and values that will replace Clause IV. He is thinking ahead in a way that Mr Neil Kinnock was never allowed to and Mr John Smith never felt inclined to.

Mr Major is not lost. The government might yet recreate itself as the guardian of security in a changing world. Put another dash for integration by Britain's European partners alongside Labour's plans for devolution in Scotland and Wales and you can see the possibility of a campaign huilt around defence of the (British) Union.

But one thing is clear: 1992 was the last election the Conservatives will win by default.

Middle England's malaise

Gillian Tett on the despondency undermining Tory support

Mr Mike Bawden, a long-serving conservative conncillor in Swindon, is not a melodramatic man. But as he surveys middle England this autnmn, his verdict is that something strange is afoot.

"The government has a big problem," he admits. "All the yardsticks hy which we used to measure the economy have changed, and people just don't feel wealthy or good any more."

The failure of the feelgood factor to return with economic growth is troubling the Conservative party as it assemhles for its conference next week. An internal inquiry has heen launched into tha government's low popularity, led hy Mr John Maples, one of the party'a deputy chairmen. He insists the despondency will lessen in time.

But two years into the recovery, the message from Swindon is not simply that the feelgood factor is elusive but that there is little likelihood of a rapid change in mood.

On paper, Swindon is a manufacturing success story. In the late 1980s, the local economy grew fast as companies snch as Honda, the Japanese car maker, opened factories locally. Growth faltered with the recession in the early 1990s, but its economy is expanding again.

Unemployment, which rose from 4 per cent in the late 1980's to 9 per cent in 1992, has fallen back to 6 per cent. The town's retailers detect modest sales growth. And 10,000 homes are being built in what will be Europe's largest private sector housing development.

Bnt, says Mr Geoff Teather, editor of the Swindon Evening Advertiser, "nobody is really thanking the government".

Tax increases such as the imposition of Valne Added Tax on domestic power have heen introdnced gradnally, adding to consnmer uncertainty. But, says Mr Bawden, the housing market is the real culprit for Middle England's malaise. Flat house prices have not only left the town with myriad tales of negative equity hnt forced many middle class residents to re-evaluate financial strategies.

David, e 36-year-old project planner, for example, bought a house five years ago for £140,000. He tried, and failed, to sell it for about £120,000 last year. "In the 1980's, people like me thought if we had spare cash we had to get on the housing ladder and keep borrowing and moving np. Bnt now that's ended. We have had to look at our salary again and think a lot harder abont saving."

Few people expect an early end to this malaise. Mr Russell Cleverley, of developers Hannick, says that, although the market picked np at the start of the year, it has stalled again. He hlames the end of fixed rate mortgages, a crucial marketing tool in a time of low economic confidence. "I was thinking of buying a place for my children, but I won't now they have withdrawn the fixed rate."

There is no shortage of jobs locally. Indeed Mr Andy Cable, of the Response Management mail order group, says he has recruitment prohlems as he prepares for Christmas demand. But the part-time, flexible jobs he is offering have only limited appeal. "You can get temporary jobs, but there is really not mnch proper stnff around," says Miss Ann Whitfield, who recently found a joh as a receptionist.

Few people in Swindon are yet predicting the three Conservative MPs in the area will be ousted at the next election. But as Mr Teather of the Swindon Evening Advertiser observes: "Labour is re-emerging just as these economic changes are happening. Mr Tony Blair must he hoping that people in Swindon could turn out to be his children of tomorrow."

MAN IN THE NEWS: ***Francesco Saverio Borrelli***

Milan's smooth Machiavelli

The battle between Mr Silvio Berlusconi, the Italian media magnate turned prime minister, and the Milan judiciary has reached a point of no return. Both sides are on a collision course.

The script could not have been dreamt up better in Hollywood: a prime minister whose business empire is under investigation for corrupt practices seeks to incriminate the very judicial authorities who are investigating him.

The Rubicon was crossed this week when Mr Francesco Saverio Borrelli, the Milan public prosecutor and the figure behind the anti-corruption investigations of the past two and half years, decided to discard his normal caution. In an explosive newspaper interview on Wednesday, be warned Mr Berlusconi that the investigative net was tightening around him and his Fininvest empire.

If this was not enough, he insinuated Mr Alfredo Blondi, minister of justice, had behaved unprofessionally while defending e client in the collapse of the late Mr Roberto Calvi's Banco Ambrosiano.

In response, the five month-old rightwing coalition government endorsed a tough response, albeit with private reservations among some ministers. A formal complaint was lodged on Thursday with President Oscar Luigi Scalfaro, asking him as head of the higher magistrates' council, the Italian judiciary's governing body, to examine the case for disciplinary proceedings and prosecution against Mr Borrelli.

Mr Borrelli coolly joked about the prospect of prison: "I'm ready with my toothhrush and pyjamas." The 64-year-old public prosecutor could face a minimum jail sentence of 10 years for undermining constitutional authority.

But he clearly intends to hang on to the post he has held since 1987. "I don't even give it [resignation] a thought! Why should I leave tha magistrature?" be asked. He has even postponed plans to apply for a promotion to bead the appeal court in Florence, where this Neapolitan-born member of the judiciary has spent much of his career.

Mr Borrelli has played a back-stage role throughout the two and half years that Milan magistrates have made the headlines with their anti-corruption investigations. However, he is credited as the strategist behind the investigations – known as "Tagentopoli" (brihe cities) – that have unearthed a pervasive system of hribes and illicit funding involving the nation's leading businessmen and politicians.

His discreet presence contrasts with that of public idol Mr Antonio Di Pietro, the investigative magistrate in Milan who in February 1992 hroke the first "Tagentopoli" corruption ecandal. Mr Di Pietro is blunt-speaking, flaunts his peasant origins and cares little about his clothes. Mr Borrelli is soft-spoken with fluent sophisticated language. Sartorially, his spare, stooping frame is always immaculataly clad. While Mr Di Pietro is a computer huff and likes the occasional shooting foray with friends, for Mr Borrelli it is classical music, philosophy and horse-riding.

However, the partnerahip between this smooth intellectual with the grasp of Machiavelli and the industrious policeman with his gift for computer technology has been central to the Milan magistrature's success in exposing the accumulated vices of Italy's postwar political system.

Mr Borrelli has heen content to let his junior absorb the limelight, realising the magistrate had the kind of honest aura that could catch the puhlic imagination. Thus it was Mr Di Pietro who, in the name of the Milan magistrates, went on television to announce their collective resignation in July in protest at plans by the Berlusconi government to introduce legislation to curb the judiciary's power of preventive detention. The government retreated.

Again, it was Mr Di Pietro who was delegated lo attend the annual gathering of top husinessmen et Cernohhio in early September at which he suggested the outlines of legislation to come to terms with the prohlems created by the corruption scandals.

But it was Mr Borrelli – in consultation with jurists and academics – who orchestrated the legislation to deal with the huge backlog of corruption cases and the prospect of indefinite corruption investigations. The aim was to encourage those who had paid bribes to come forward with generous plea-bargaining opportunities, and corresponding penalties for those who failed to confess within a specified time.

The move was squashed because the politicians objected to the Milan magistrature trying to usurp the lawmaking role of parliament. In retrospect, it was the refusal of the politicians to take up this olive hranch that has accelerated the current conflict.

Mr Borrelli and his fellow magistrates knew their continued inquiries would affect many institutions – including the Guardia di Finanza, the financial police. They also knew the government could be damaged by the investigations into Fininvest, which risked leading to Mr Berlusconi and at least one other minister.

As the pace of investigation has quickened after the summer hreak, Mr Berlusconi and his ministers have sought to challenge the behaviour of the judiciary. It is this that led to Mr Borrelli's now famous interview on Wednesday.

Three possible reasons have been advanced by political analysts for his decision to go puhlic with his warning to Mr Berlusconi. Tha first is that it was the angry reaction of the Milan magistrature against a prime minister whose government has failed to find a mutually satisfactory politico-judicial solution to end "Tagentopoli".

The second is that it was a move to unseat Mr Berlusconi and hreak up his Forza Italia movement to favour the ascendancy of the neo-fescist MSI/National Alliance, which has been courting Mr Borrelli and Mr Di Pietro.

But it is the third that seems tha most plausihle: it was a desperate attempt to heed off government moves to stifle their inquiries. For Mr Berlusconi is now threatened with being ousted from office hy those who opened the way for him to become prime minister in the first place by discrediting the old political parties.

Robert Graham

Richard Waters on moves to improve profitability at US investment bank Kidder Peabody

Parachutists on a mission

Who would buy an investment bank with a tattered reputation, bloated costs, an over-inflated balance sheet and a trunk-load of esoteric securities that few people understand?

That is the question posed by other banks in response to General Electric's thinly veiled desire to jettison Kidder Peabody, its troubled New York investment bank.

On Thursday, the US industrial group took action to make Kidder a bit more saleable. Six months after it was rocked by an alleged multi-million dollar fraud (Kidder claimed its head government bond trader, Joseph Jett, had created fictitious profits of $350m), the bank is undergoing an overhaul. The result will be a smaller and – GE hopes – more profitable bank.

The overhaul is being conducted by two GE executives parachuted into Kidder in June to salvage its reputation: Mr Dennis Dammerman, GE's own chief financial officer, and Mr Denis Nayden, a leading executive from GE Capital, its financial services arm.

For Jack Welch, GE's chairman and chief executive, the changes at Kidder come not a moment too soon. Having paid $600m for an initial 80 per cent stake of Kidder in 1986 and pumped in another $800m in extra capital since then, Welch's judgment has met with increasing criticism.

Jack Welch: his judgment has been criticised

Kidder's new bosses are attacking the problems at the bank on four fronts.

First, they plan to shrink the bank's balance sheet. Under Mr Michael Carpenter, the chairman ousted in June as a result of the Jett scandal, Kidder had expanded its holdings of securities, pushing its total assets to $106bn (£67bn) at the end of March. The bank had only about $750m of capital to support these assets (the capital acts as a cushion to absorb any losses).

While bond prices were rising around the world in the early 1990s, Kidder's vast securities holdings generated profits. The bank could underwrite an issue of new bonds, and hold the securities on its balance sheet for several weeks or even months as it slowly sold them on to investors. The downturn in bond prices since last October, though, put an end to the easy money days for Kidder, as for the rest of Wall Street.

Piling assets on a small capital base produced high leverage, or gearing, which increased market fears in recent months about the bank's financial stability. Other big Wall Street firms have about $1bn of capital for every $30bn-$35bn of assets they hold, says Mr Michael Flanagan, a securities industry analyst at Lipper Analytical, the financial research firm.

Since March, Kidder has shrunk its assets to $80bn. This week, it said it aimed to bring the level down to $50bn-$60bn by the end of this year.

More seems likely to follow. Mr Dammerman has said that he wants to bring Kidder's balance sheet leverage into line with other Wall Street houses. To achieve this means shedding assets unless he can persuade GE to pump in more capital (which is unlikely, as GE has already injected $200m this year).

The new Kidder bosses' second line of attack is to transfer $6.7bn of esoteric securities, known as Collateralised Mortgage Obligations (CMOs), to an affiliate of GE Capital. Mortgage-backed bonds, and the derivative-type CMOs that can be created from them, have been the source of a large part of Kidder's profits in recent years. However, the rise in US interest rates this year – and the corresponding fall in bond prices – has hit the CMO business particularly hard: buyers for the highly-structured securities have vanished, making many of them hard to sell or to value.

Kidder has already sold off about $10bn of CMOs since March. Shuffling the rest to GE Capital should remove a big question mark over the bank and relieve pressure on its balance sheet.

The third move by Dammerman and Nayden is to take an axe to Kidder's costs in an attempt to bring it back into profit – the bank is thought to have lost $85m in the three months to the end of September. Among other things, the disappearance of $350m of profits after the Jett fiasco revealed that Kidder's real profits were lower during Wall Street's good years than had appeared at the time.

The immediate target is to shed 10 per cent of Kidder's 5,500 staff and reduce costs by $100m a year. The bank has said it will narrow the scope of its investment banking activities to a handful of industries. It is also expected to retreat from a number of business areas, such as some parts of its derivatives trading and foreign exchange activities.

Fourth, the new management has indicated that it could sell those parts of Kidder for which buyers can easily be found. The bank's 1,250-strong force of retail brokers, for instance, is considered an attractive catch by several rival broking houses. With average annual commissions said by the bank to be $425,000, Kidder's brokers are more productive than those at houses such as PaineWebber, which is contemplating an acquisition. Kidder's fund management business is also considered a candidate for early disposal.

Dammerman, meanwhile, has remained vague about whether what remains of Kidder would eventually be sold. Announcing the staff cuts this week, GE's chief financial officer acknowledged that outsiders would interpret such measures as an attempt to spruce up the bank for sale. That was not the immediate purpose, he added: rather, it was to put the bank into order.

What is undoubtedly true is that it will be a lot easier to sell what remains of Kidder once it has been slimmed down and refocused. GE will soon have the option of getting out of its disastrous excursion into Wall Street.

Good news is bad for shares

Philip Coggan explains why London stocks are less than buoyant

For the average investor in UK shares, the last couple of weeks have been one long bungee jump.

The FT-SE 100 index has been bouncing up and down, recording a rise or fall of more than 25 points on six out of the last eight trading days. Over the course of the year, the trend has been more down than up; the Footsie is now about 15 per cent down from its peak in February.

By the standards of the last 30 years, it is still arguable whether this is a fully-fledged bear market, or merely a correction within a longer bull run. Since 1965, there have been nine occasions when the FT-SE Actuaries All-Share index has fallen, peak to trough, by more than 20 per cent, with the long drawn-out decline of 1972-74 being the worst example. This year's fall has yet to reach such proportions. But there is a danger that it might.

What may puzzle the small investor is the background to the current gyrations. The UK economy is looking remarkably healthy: growth is set to top 3 per cent this year, underlying inflation is low at 2.3 per cent, unemployment is falling and the trade deficit is narrowing. In such conditions, investors might reason, share markets should be rejoicing, not lamenting.

Furthermore, the most common explanation for the declines in world bond and equity markets this year is the Federal Reserve's decision to raise interest rates to slow the US economy. But if the US is the problem, how come Wall Street is just 4 or 5 per cent off its all-time high, when the Footsie is around 15 per cent off its peak?

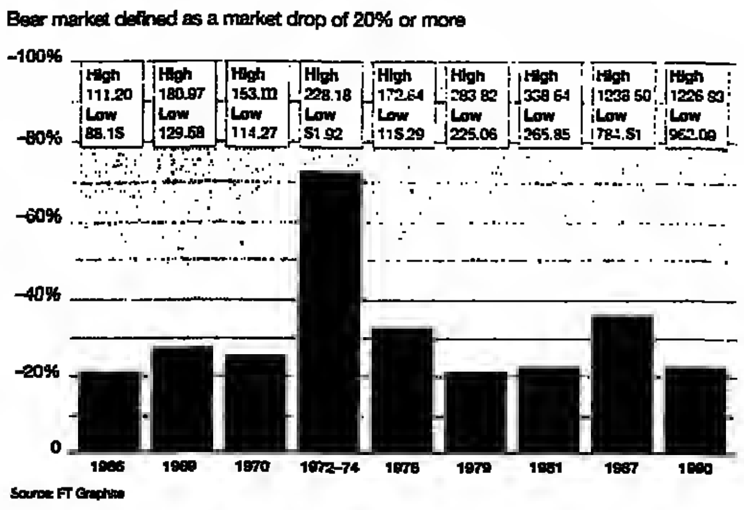
The answer to these riddles lies partly in events in 1993 and partly in what markets fear for 1995 and beyond.

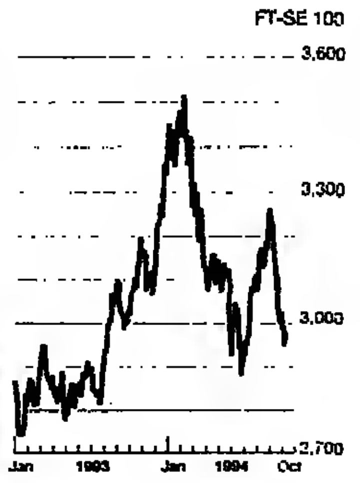
Last year was an annus mirabilis for financial markets. In the UK, medium-term gilts returned around 23 per cent and equities 27 per cent.

Market buoyancy resulted from a fall in interest rates round the world that persuaded investors to switch from cash into bonds and equities. US investors, in particular, were putting money overseas, with many using money borrowed at historically low interest rates.

FT-SE-A All-Share index: the bear years

Bear market defined as a market drop of 20% or more





Source: FT Graphics

The bubble burst in February 1994 when the Federal Reserve made its first upward move in interest rates. Although the change was small – from 3 per cent to 3.25 per cent – it caused a much larger shift in investor sentiment worldwide.

If the Fed was tightening monetary policy, investors reasoned, maybe inflation was going to be a problem in the US. Furthermore, signs of growing economic recovery in Europe made investors worry about inflation and less confident about further declines in European interest rates. The rise in commodity prices added to the worldwide surge in inflation expectations.

Those US investors who were speculating with borrowed money quickly tried to cash in their bond holdings to cut their losses. Bond prices fell sharply and stock markets suffered from the knock-on effect.

The UK suffered more than most from the switch. According to Yamaichi International (Europe), 10-year UK gilts yielded 0.47 of a percentage point more than US Treasuries at the start of the year and 0.74 of a percentage point more than German bunds. Those spreads have since widened to 1.11 percentage points and 1.27 percentage points respectively.

If inflation is set to return around the globe, investors fear that its level will be higher in the UK, because of the country's past record. "People have been deeply ingrained with the view that it is always right to be pessimistic about the UK," says Mr Bob Semple, head of economics and strategy at NatWest Markets.

February's cut of a quarter of a percentage point in UK base rates, which came just four days after the Fed increased US rates, may have reinforced the impression that the UK was soft on inflation, and raised doubts about the strength of the UK's monetary regime. "It is clear that the Bank of England had its arm twisted to agree to a rate cut in February," says Mr Semple.

Since that February cut in rates, the pace of UK economic growth has picked up, prompting the chancellor to agree to a rise of half a percentage point in base rates in September, to head off inflationary pressures.

But the markets have yet to be convinced that the UK authorities are in control, and remain pessimistic about the outlook for base rates. Futures markets indicate that traders expect base rates to reach around 6.7 per cent by year end, and nearly 9 per cent by the end of 1995.

So although economic growth, by boosting corporate earnings, ought to be good for the equity market, its benefits have been overshadowed by the rise in inflationary expectations, which have led to higher bond yields.

For the international investor, the news has been even worse. Sterling's decline this year means that, in US dollar terms, the UK market has underperformed every major European stock market except France.

Is the poor performance of the UK equity market set to continue? This year's declines have removed some of the signs that shares were overvalued. The historic price-earnings ratio on the All-Share – the measure used by analysts to compare share prices to corporate profits – has dropped from a heady 25.8 in February to around 17.5 today.

The dividend yield on the All-Share is a fraction over 4 per cent, below its long-term average, but well above the 2.8 per cent reached at the height of the bull market in 1987.

Furthermore, dividends offer a positive real return (they are higher than inflation) – a situation that has existed only rarely in the last 20 years.

The yield ratio, a measure that relates the income return from long-term gilts to that from equities, is around 2.21, close to its average since 1976. According to Mr Ian Harnett, chief economist of Societe Generale Strauss Turnbull Securities, this can give investors some comfort since the last three severe market downturns have occurred when the yield ratio was over 2.5.

However, for the UK market to recover, it needs to circumvent three obstacles. The first is the danger that inflation may accelerate, and the trade position may deteriorate, just as it has in so many previous UK economic cycles. The result will be sharply higher base rates and bond yields – more bad news for share prices.

The second danger is that the government had already acted too hastily in raising interest rates, especially in view of the tax increases to come. The consequence is that economic growth, and corporate earnings, will slow in 1995.

The final risk lies across the Atlantic. The UK stock market has fallen further than the US, but many feel it is Wall Street and not London which is the anomaly. If further Fed tightening and a change of sentiment among US private investors causes a sharp fall in the Dow Jones Industrial Average this autumn, UK investors could be due for another bungee ride.

The ultimate privatisation

Clive Cookson on who should own human genes

The British Labour party conference was not the only place where people were arguing furiously this week about private versus public ownership. The international meeting on human genes in Washington DC was equally divided by debate over whether genetic information should be freely available in the public domain, or the private property of the researchers who patent it first.

Each side claims that its favoured system will accelerate the application of genetic discoveries to human health, in the form of treatments and diagnostic tests for diseases from cancer to mental illness.

Arguments over gene ownership have bedevilled biotechnology and medical research for several years. They are now reaching a new intensity, as scientists realise how much the private sector is coming to dominate the race to discover the 100,000 genes which control human development and susceptibility to disease.

The biomedical research leaders who launched the grandiose Human Genome Project in the late 1980s as a £2bn international effort to decode all DNA (the chemical store of genetic information) expected it to take about 15 years and to be funded largely by governments. In fact biotechnology companies, in partnership with the established pharmaceutical industry, are spending more on genetics research than the traditional public bodies such as the US National Institutes of Health and the UK Medical Research Council – and, by taking scientific short cuts, they are producing results more quickly.

However, the debate is not simply between academic and industrial researchers. Within each group, opinions are divided on the merits of patenting genes, as two of the world's largest drugs companies, Merck and SmithKline Beecham, showed this week when they announced diametrically opposed policies on the issue.

Merck said it would establish a comprehensive database of genetic information to which everyone, including commercial competitors, will have open access. The company will provide several million dollars for Washington University in St Louis, one of the top US genetics labs, to create new data for the so-called Merck Gene Index.

"This will facilitate progress in biomedical research by reducing duplication of effort, speeding the identification of disease-related genes and enhancing the probability of breakthrough drug discoveries," says Dr Edward Scolnick, Merck's head of research.

Patent protection is needed at some stage to provide companies with a financial incentive

Although the company's announcement was couched in terms of self-congratulatory altruism, some competitors saw it as more of a spoiling move to make up for the fact that Merck had been slow to appreciate that genetic discoveries could transform pharmaceutical research.

On the other hand SmithKline Beecham, until recently one of the sleepier pharmaceutical giants, has moved astonishingly quickly to feed genetic information into its mainstream research since linking up with Human Genome Sciences, the leading biotech company specialising in gene discovery, in May 1993. SB is paying HGS $125m over 10 years for an equity stake and exclusive access to its private database, which already contains partial or complete DNA sequences of about one-third of all human genes.

The key to HGS's success is a scientific short-cut called cDNA sequencing. This fishes out from particular body tissues, such as the brain, pieces of DNA corresponding to genes that are active there. It gives a library of gene fragments written in the four letters of the genetic code – C A T G – rather like an index of first lines in a poetry book. Most sequences are distinctive enough for scientists to understand their meaning.

In Washington this week SB and HGS made clear that they had no intention of allowing others unrestricted access to the database, which they believe gives them a huge competitive advantage for future product development. At the same time they revealed the terms under which academic researchers would be allowed to use the database. The main condition is that HGS will have first rights to exploit any patentable discovery they make.

"The conditions that govern access to these data should preserve the incentive for the private sector to invest the funds necessary to bring new drugs and diagnostic products to the market," says Dr William Haseltine, HGS chief executive. "Unalloyed dumping of genetic information into the public sector is not in the best interests of the public."

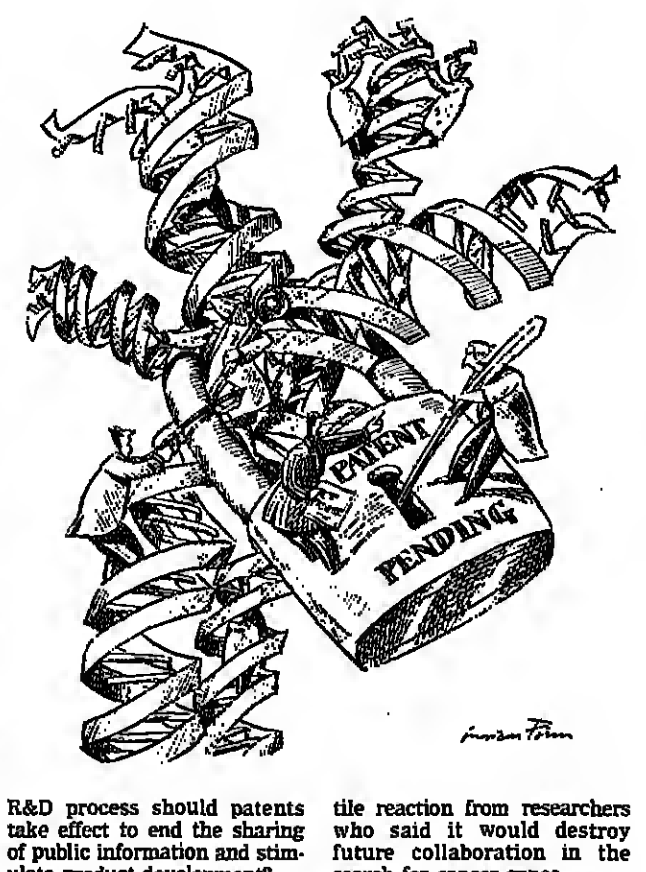
Dr Michael Morgan of the London-based Wellcome Trust, the world's largest medical research charity, brought together all interested parties in a fringe meeting at this week's Washington conference, to try to work out a consensus for future action.

"The HGS/SB proposal may well be acceptable to academia, though we shall have to study the terms carefully," Dr Morgan says. "But they are not giving access to the pharmaceutical industry, so there is enormous support from the other drug companies for a public domain database."

Dr Morgan says his meeting agreed that Merck's proposal should form the basis of an open international effort to identify as many individual genes as possible and "map" the position of each gene on one of the 23 chromosomes that carry all human DNA. The mapping stage is essential for understanding fully how the genes work.

Glaxo, the largest UK drug company, would be happy to join in too, says Dr Barry Ross, research director, "if this can be developed into a full partnership between industry and academia, rather than something run by Merck with the Merck name on it".

Everyone involved in genetics research agrees that patent protection is needed at some stage to provide the financial incentive for companies to turn the science into products. The contentious question really is: at what point in the R&D process should patents take effect to end the sharing of public information and stimulate product development?



SB, HGS and other biotechnology companies whose competitive advantage is in creating genetic information want patents to take effect as early as possible. Merck, Glaxo and other large drug companies believe that patents should not operate "until you have a gene-based product to protect", as Dr Ross puts it.

Academics' views depend mostly on whether they are involved with biotech companies seeking to exploit genetic information. Last month's decision by the University of Utah and Myriad Genetics, a US biotech company, to patent their discovery of a gene causing breast cancer provoked a hostile reaction from researchers who said it would destroy future collaboration in the search for cancer genes.

Overshadowing the debate is confusion about the way patent law applies to genetic discoveries. Rulings by the US Patent Office and its European counterparts have been contradictory and not yet tested in court. It will not be known for many years what level of genetic information can be protected. Will it be a fragment of a gene, the full human gene, or the gene incorporated into a potential product?

Wherever the line is eventually drawn, it is already clear that the old academic ideal of open scientific collaboration unmotivated by commercial gain is as out of date as the Labour party's Clause 4.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Quick switch to the attack

From Sir Peter Wakefield.

Sir, We are all entitled to change our opinions, but your art critic, William Packer, seems to have been persuaded to change his extraordinarily quickly.

In his account of the Jerwood Painting Prize ("Damned by lack of controversy", September 24) he attacks most vehemently the decision of the judges to award the prize to Craigie Aitchison. Yet only two weeks earlier he welcomed the purpose of the prize ("Excellence is the only criterion", September 10), saying it was long overdue and "what a relief it is to confront a short-list that is entirely acceptable. There is no token presence and each artist has a chance of winning – well worth a punt".

William Packer is also inaccurate in saying that one of the judges, Judith Collins, is deeply distressed. The choice was accepted by all the judges except Hilton Kramer, who has made his views known.

Peter Wakefield,
chairman of the judges,
Jerwood Painting Prize,
Jerwood Foundation,
22 Fitzroy Square,
London W1P 5HJ

Uncertainty over a semitone

From Mr Michael Varcoe-Cocks.

Sir, In his review of Opera North's new *Il Trovatore* ("Outbreak of symbolism in Leeds 'Trovatore'", October 4), Richard Fairman writes disparagingly of the tenor's high notes in the famous cabaletta being "high Bs rather than Cs, if I am not mistaken".

On the one hand your critic is admitting that he does not have perfect pitch (a rare gift anyway), but on the other he is implying that he is clever enough to tell that the cabaletta was sung a semitone lower than written.

Surely, if he felt it necessary to make this point, Fairman could have swallowed his ignorance and actually asked someone at Opera North!

M D Varcoe-Cocks,
5 Brackenbury Road,
London W6 0BE

Merger of accountancy bodies inevitable

From Mr R N Chisman.

Sir, Your article, "An institutional fracture in need of repair" (Accountancy Column, October 6), on the rationalisation of the accounting profession misses the point.

It would be obvious to a Martian that the six bickering representative organisations ought to be merged into a single influential professional body. However, the main obstacle to this is the widely held belief that the members of the three chartered institutes will not vote for a merger – even when watered down as in the proposals recommended by the working party, chaired by David Bishop of KPMG Peat Marwick. And the reason they will not vote to merge is the general perception that the title "chartered accountant" carries more status and earning power than the titles from the other bodies. There is a desire for some to be seen as more equal than others.

Faced with such intransigence it would be folly for the other bodies to formulate plans for the improvement of the profession based upon the highly improbable premise of a merger. The other bodies cannot address this obstacle in the short term and the only practical approach is to plan round it and to make alternative proposals such as those formulated by Anthea Rose and the Chartered Association of Certified Accountants.

Common sense will eventually triumph – you are either a qualified accountant or you are not – so merger is inevitable, whether by intervention or consensus. But I am not sure I will see it in my professional lifetime. While it remains impossible to achieve it at one step, the only option is to embark on the first of a series of small steps – and on that basis I support the proposal for a General Accounting Council.

R N Chisman,
financial director,
Stakis,
3 Atlantic Quay,
York Street, Glasgow G2 8JH

A new millennium – and not a traffic cone to be seen

From Mrs A Lister.

Sir, With regard to celebrating the millennium ("Wanted – wonder of the age", October 1), I think the government should pledge to remove every single traffic cone from every road in the kingdom by 4.30pm on December 31 1999.

In order to placate all those who believe that celebrations should only take place in December 2000, I suggest that, during the intervening year, all the cones gathered should be given to a number of sculptors, who can each create a fitting memorial to the "last" century. These sculptures should be placed at various points around the country, to be seen from our motorways, rather as Stonehenge is viewed from the A303.

This pledge, incidentally, should be put on the statute books so that any other incoming government must abide by it too. Thus, future generations will gain from finished roads, no more road works, and the disbanding (and financial saving) of the cones Hotline.

A Lister,
54a The Avenue,
Hatch End, Middx HA5 4HA

The price of share dealing

From Mr Richard Uzupris.

Sir, I was interested to read the latest proposals by the Stock Exchange to inhibit insider dealing as reported by Robert Peston ("Tighter checks on insider dealing proposed", October 5). I would like to make the following two observations:

1) Suspension of dealings in shares after "normal" price fluctuation parameters have been exceeded would probably be too late, as the professional insiders would have already dealt.

2) in the specific case of Portals it is doubtful that any stockbroker asked by a client whether or not to sell the shares during the four-day period in question would have failed to point out the bid speculation – the shareholders who missed out would more than likely have been those using execution-only, cut-price share dealing facilities. Investing is the same as any other business – you only get what you pay for.

Richard Uzupris,
6 Britannia Gardens,
Westcliffe-on-Sea,
Essex SS0 8BN

Markets are not always right

From Mr Stephen Beer.

Sir, I imagine Stephen Butler (Letters, October 3) has little practical experience of financial markets, judging by his faith in them over central bankers. Even casual observation – as opposed to simple economic theory – leads to the conclusion that most market participants can be wrong for some of the time.

Eventually they realise their mistake and the market corrects – often dramatically.

Who I wonder, on average, is the most "trustworthy" when predicting inflation? Large numbers of traders with little option but to follow the prevailing "market view", or central bankers appointed by politicians but with reputations to develop? Difficult one, that.

Stephen Beer,
30 Cawkwell Close,
Chelmer Village,
Chelmsford CM2 6SG

Argyll to withdraw from discount retailing

By Neil Buckley

Argyll, the UK's third-largest grocery retailer, is selling the rest of its Lo-Cost discount chain, ending its 13-year ownership of the trading name.

The group has agreed to sell 101 of its remaining Lo-Cost stores, together with the trading name, and a freehold distribution depot at Queensferry, North Wales, to Co-operative Retail Services, for up to £73m. It plans to sell the remaining 50 stores and related assets "in due course".

The deal follows the sale of 123 Lo-Cost and 28 of Argyll's smaller Presto supermarkets to a consortium of Spar companies for £19.7m in August.

CRS plans to continue operating the stores as discount outlets under the Lo-Cost name, and is taking almost all of their 3,800 staff. About 60 redundancies will result from closure of Lo-Cost's head office.

As well as buying the Queensferry depot, CRS is leasing Lo-Cost's other two distribution depots at Salford and Shrewsbury.

Mr Colin Smith, Argyll chief executive, said the decision to withdraw from discount retailing was a result of the strategic review being conducted into the group's business.

Lo-Cost made operating profits of only £6.3m on sales of £471m in the year to April 2, and Argyll had decided to focus on its Safeway superstores and Presto supermarkets.

The group was hindered in its efforts to make Lo-Cost a successful discounter by the wide variation in store sizes in the chain.

CRS is paying £59m for the stores, plus up to £14m more, based on the average sales of the stores in the eight weeks until completion on November 12.

Argyll expects to make a total of between £86m and £100m from the two sales agreed plus the sale of the remaining stores, compared with a net asset value of about £93m.

Closure and other associated costs will be about £3m. The overall effect on earnings per share is expected to be broadly neutral.

Argyll admitted the sale was not being made "without a backward glance".

Lo-Cost was originally the retail operation of Oriel Foods, acquired by Argyll in 1981 from the RCA Corporation.

The original Argyll management team ran Oriel Foods at RCA between 1974 and 1977.

Analysts warn of provisions at Lucas

By Paul Cheeseright, Midlands Correspondent

Lucas Industries, the automotive and aerospace component maker, could make provisions of up to £100m, pushing it into a headline loss when it announces its annual figures on Monday.

The speculation among City analysts is that provisions could be at least £17m to take into account costs involved in warding off litigation in the US over lapses of quality control on aerospace component contracts with the Defense Department.

But the provisions could reach as high as £100m, in the opinion of Crédit Lyonnais Laing, if Mr George Simpson, the new chief executive, embarks on a major restructuring of the group to cut costs. This may involve job losses and a continuation of the series of plant closures which go back to 1991-92.

Lucas's difficulties in the US are well known, but any provisions for restructuring remain guesswork until Mr Simpson, on Monday, outlines his strategic plans for the group.

If the provisions go as far as the highest guess, then they would push Lucas into a pretax loss. Without provisions, Lucas is expected to make pretax profits of more than £65m, perhaps as much as £80m, for the year to July, compared with £50.3m in 1992-93. The dividend is forecast to stay at 7p.

Mr Simpson, since his arrival from Rover last April, has reviewed Lucas's activities and concluded that the group should concentrate on aerospace and automotive. The first priority, he has made clear, is to improve the group's financial performance.

The plans, foreshadowed last week when Lucas put a software company up for sale and said it was considering the sale of a manufacturing systems consultancy, will also involve a new round of disposals. These are expected largely to be companies in what was the group's applied technology division.

Float puts miracle in new orbit

Alice Rawsthorn considers BSkyB's plans for reducing its debt

There can be few people involved with business start-ups who do not dream of the day when their company will go public. But for British Sky Broadcasting's management the prospect must at times have seemed little short of miraculous.

Tony Andrews

Sam Chisholm: stunning recovery for company under his control

The short, but turbulent story of BSkyB has been one of the most exciting media sagas of the early 1990s.

The company has, under the aegis of Mr Sam Chisholm, its abrasive chief executive, staged a stunning recovery since the traumas of its launch in 1990 following a shotgun marriage between the struggling Sky satellite television venture, and its ailing rival, BSB.

This week's announcement that BSkyB was considering plans to float on the London and New York stock markets before Christmas, set the seal on its resurgence. The flotation should also yield significant financial and structural benefits to the company and its investors.

"BSkyB is very different today than it was a few years ago," said Mr Richard Brooke, its finance director. "But some aspects of our financial structure and ownership are more applicable to the old BSkyB than the successful company we've become. The flotation will change that."

One of the main incentives in going public is financial. It hopes to raise up to £1bn by selling new shares, representing 20 per cent of the enlarged equity, from the flotation, to be sponsored by Goldman Sachs and Lazard Brothers. All the money will then be used to reduce its £1.7bn debt.

None of BSkyB's four shareholders, Mr Rupert Murdoch's News Corporation, Granada, the UK leisure group, Chargeurs, the French textile company, and Pearson, the UK media concern that owns the Financial Times, will sell shares. Indeed Chargeurs intends to buy more to prevent the dilution of its stake.

All four will benefit from the debt reduction as the proceeds will be used to repay most of the £1.2bn tranche of debt that they provided or guaranteed.

This strategy makes sense for the company in that the shareholder debt, which was taken on during its early crises, is more expensive to service than the £500m external loans. The interest bill for shareholder debt came to £84m in the last financial year to June, so BSkyB should save as much as £70m in annual interest payments.

News Corporation, as the biggest investor with 50 per cent, is responsible for the largest chunk of the shareholder debt. It should be repaid £500m of the £550m loans it advanced to BSkyB after the flotation. Analysts suspect Mr Murdoch will channel the cash into Star, his Asian television network.

Chargeurs, Granada and Pearson will also be repaid a large proportion of the combined £250m they lent and be absolved of most of the £350m debt they guaranteed. The three companies provided equal shares of the debt and guarantees.

BSkyB will then decide how to deal with the remaining £200m of shareholder debt and obligations. Its advisers say that the loans will either remain intact or be transferred into external debt.

The reduction in the company's interest bill should have a dramatic effect on its financial performance. Ms Rebecca Winnington-Ingram, media analyst at Morgan Stanley Securities, calculated that BSkyB could make pre-tax profits of £210m in the year to June, against her previous forecast of £158m. She has pencilled in profits of £350m for the next financial year.

Meanwhile the publicly-quoted BSkyB will have the flexibility to tap the market for more capital if it requires additional funding to launch ambitious ventures such as a pay-per-view digital satellite television service. Funds may also be needed to meet tougher competition for programming from the increasingly consolidated ITV companies and its emerging rivals in cable television.

The flotation also offers an opportunity for the company to streamline the complex ownership structure whereby its four shareholders have unusually strong controls over various aspects of the company, notably investment.

As for the issue itself, observers seem confident that it will be a success. "It's a great corporate story," said Ms Winnington-Ingram. "And this is the perfect time to tell it."

Dartmoor Investment Tst launches bid for Sphere

By Bethan Hutton

Dartmoor Investment Trust yesterday launched a bid for Sphere, a split capital investment trust due to be wound up in a year's time.

Sphere is treating the bid as hostile and has recommended that shareholders take no action as yet. However, Dartmoor appears to have a majority in favour of its offer, which values the shares and warrants in question at £52.45m. It owns 7.01 per cent of the income and residual capital shares; other funds run by the same manager, Exeter Asset Management, own a further 22.51 per cent, and have indicated acceptance of the offer.

Indications of acceptance have also been received from Abtrust Fund Managers, which owns 22.94 per cent of the shares. This would give Dartmoor 52.46 per cent of the shares, but the acceptances are not yet irrevocable.

The bid is only for one class of share – income and residual capital – and the warrants. It offers eight new Dartmoor ordinary shares for every 20 Sphere shares, and one new Dartmoor warrant for every four Sphere warrants, which at October 6 prices values the Sphere shares at 42.7p and the warrants at 5.5p. The October 6 mid-market prices were 42.5p and 5.5p respectively.

Sphere shares are trading at about asset value, and yield about 10 per cent, while Dartmoor shares are trading at a premium of about 25 per cent, and yield about 11 per cent. The offer would give Sphere shareholders a continuing, increased income stream but possibly a lower capital value.

Dartmoor is not bidding for Sphere's zero dividend and cumulative preference shares, which account for about £100m of the £150m fund.

The board of Sphere announced several months ago that it was looking at options to extend the life of the trust but it has not yet made any proposals. The bid will put pressure on it to do so.

The deal would allow Sphere's managers, Marathon Asset Management, to retain the contract until the wind-up.

Calluna seeks USM float via placing

By James Buxton, Scottish Correspondent

Calluna, a Scottish company which designs and manufacturers miniature hard disk drives, is seeking a flotation through a placing on the Unlisted Securities Market later this month.

It hopes to raise between £10m and £12m mainly to boost working capital and step up production. The placing is sponsored by Albert E Sharp.

Calluna makes high capacity 1.8" disk drives – the size of a credit card – which can be inserted into slots conforming to the PCMCIA industry standard in the latest generation of personal computers. The drives enable computer users to expand their storage capacity, transport data and remove large amounts of data from PCs for security reasons.

The company was founded in Glenrothes, Fife, in 1991 by six former employees of Rodime, a Glenrothes-based company which produced the world's first 3.5" hard drive in 1983 but later gave up manufacturing.

Calluna developed the world's first 1.8" hard disk drive capable of storing more than 80 megabytes of data. It makes 130MB and 170MB drives and will soon launch a 260MB product, all under the Callunacard name. It has arrangements with distribution companies in Europe and the US.

Calluna raised £5m in December 1992 from 3i and other institutions and in March this year Albert E Sharp attracted investors who put in about £2m. In the year to March 31 1994 Calluna lost £2.1m on sales of £300,000.

The Scottish company, which employs 40 people, is the only producer of miniature disk drives in Europe, but faces competition from three rivals in the US, the established disk drive maker Maxtor and two recent startups.

It believes the market for miniature disk drives is poised for growth and quotes an estimate by an industry analyst that worldwide shipments will rise from 50,000 in 1993 to more than 3m units in 1997.

T&S Stores chooses chief executive

By Richard Wolffe

Mr Jim McCarthy has been appointed chief executive of T&S Stores, the newsagent and convenience store retailer. Mr McCarthy was previously joint managing director with Mr Stephen Boddice, 42, who retires from business life on December 31.

Mr McCarthy joined the T&S board as group retail director from Dillons newsagents, where he had been managing director since 1985. T&S acquired the Dillons and Alfred Preedy chains of confectionery, tobacco and newspaper stores from Next for £53.9m in 1989.

Mr Boddice leaves T&S after 17 years at the Walsall-based company, which has grown from owning three kiosks to more than 700 stores in less than 20 years.

Mr David Crellin has been appointed group financial director, after working as operating financial director. He joined T&S in 1990 after directorships at Evode and Scotcade.

Bluebird founder pockets £2.5m

By David Blackwell

Polly Pocket and Mighty Max are pocket sized and mighty small – but they mean Big Money. Yesterday, Mr Torquil Norman, founder and chairman of Bluebird Toys, cashed in on their success with the world's children and halved his stake in the group.

He sold 1.08m ordinary shares at 207p each, while his wife sold 120,000 shares, netting the couple almost £2.5m.

The Bluebird shares, which closed yesterday unchanged at 213p, were placed with institutions through S.G. Warburg.

Mr Norman, whose lifelong hobby is flying classic aircraft, retains 1.03m shares, or 2.3 per cent of the shares in issue. He last sold shares in June, placing 275,000 through Smith New Court Securities, the group's broker at the time.

He is not proposing any further sales for a year.

Earlier this year Mr Norman, who founded Bluebird Toys in 1980, stood down as the company's chief executive. He said he would retain the chairmanship and concentrate on new product development.

Mr Christopher Burgin, who spent 18 years with Hasbro, the US toys and games group, was appointed chief executive with a brief to concentrate on marketing the group's toys.

Last week Mr Burgin purchased 15,000 shares at 237p, taking his holding to 25,000 shares.

The biggest shareholder in Bluebird remains Fransad Investissements & Gestion, ultimately owned by UBS.

Fransad's shareholding has been reduced from 29.6 per cent two years ago to 18.8 per cent.

Last month the group announced interim pre-tax profits more than trebled from £1.99m to £7.19m and declared its first interim dividend. Turnover increased from £23.7m to £40.7m, with overseas sales 84 per cent up at £28.7m and UK sales ahead 49 per cent at £12m.

City analysts are expecting full-year profits for Bluebird of about £19m, and earnings per share of 26p.

Dawson restructures home fashions subsidiary

Dawson Home Fashions, the shower curtain and bathroom accessories subsidiary of Dawson International, the textile group, is reorganising its manufacturing and distribution.

The move forms part of DHF's plans, announced in June, to return to profitability. In the year March 26 1994 it made pre-tax losses of £2.9m on turnover of £57.3m, compared with profits of £4.6m on turnover of £59.5m.

DHF's Vienna, Ohio plant will be phased out and consolidated into the Sardis, Mississippi facility, with the loss of 250 jobs. There was a £12m provision for restructuring in Dawson International's accounts for the year which the company continues to believe will be adequate.

BZW Commodities placing

By Bethan Hutton

BZW has raised almost £70m from the placing of shares in the BZW Commodities Trust, a Jersey-incorporated, London-listed investment company.

The trust aims to match the performance of the Goldman Sachs commodity index by using derivative instruments.

A public offer for the trust closes on October 20, and dealings in shares and warrants are due to start on October 27.

● Hambros has raised \$42m (£26.5m) with a placing of shares in its Hambros Smaller Asian Companies trust. Dealings started yesterday.

NEWS DIGEST

A Cohen recovers to £764,000

A Cohen, maker of non-ferrous metal ingots, reported a substantial recovery in pre-tax profits from £36,000 to £764,000 for the first half of 1994. Turnover, however, fell by £8m to £35.5m because of a policy of concentrating on lower volume, higher margin business in some sectors.

Earnings per share were 27p (8.96p losses), but owing to a decision to rebuild cash resources there is again no interim dividend – the last payment was a 3.4p final for 1992.

Cohen said its principal markets were now all recovering and that demand, particularly aluminium, was strong. The directors were "cautiously optimistic" for the full year.

Henderson Highland

The net asset value per share of Henderson Highland Trust stood at 125.4p at August 31, down from 138.2p at the February 28 year-end but up slightly on its level of 125.3p at the interim stage last year.

Net revenue for the six months amounted to £742,000 (£810,000). A second interim dividend of 1.4p making 2.8p for the half-year has already been declared.

Earnings per share came out at 2.84p (3.1p) and the directors said they expect earnings for the full year would more than cover the annual dividend rate of 5.6p.

L&G Ventures

Legal & General Ventures has completed its takeover of Group Development Capital investment trust, which it plans to turn into a vehicle for investing primarily in companies recently floated by management buy-out and buy-in teams.

Legal & General's cash offer of 54.12p (97.5 per cent of asset value) per ordinary share has become unconditional. It values the trust at about £13.25m.

An issue of new ordinary shares in the trust raised more than £18m, of which £9m was from Legal & General Assurance, which has a 49.01 per cent stake. Warrants were issued to new and existing shareholders in a ratio of three warrants for every 20 ordinary shares.

An extraordinary general meeting this week approved the trust's change in investment policy and the transfer of the management contract to Legal & General Ventures.

Dealings in the new shares and warrants are due to start on October 17.

Chepstow falls

Chepstow Racecourse reported a fall in pre-tax profits from £140,522 to £96,598 for the six months to June 30. Turnover was down from £929,240 to £809,719.

The directors blamed the downturn on adverse weather conditions during the period which led to the abandonment of four race days.

It was unlikely that the loss of these days would be made up over the remainder of the year, the directors added.

Earnings per share emerged at 19p (24p).

London Electricity

London Electricity has joined the distribution companies which have bought their own shares. Yesterday it spent £103.2m for a 7 per cent holding at 672p a share.

The company said there was no particular reason buying the shares yesterday, permission for which was granted at the August annual meeting. However it had to move before its close season in a week's time.

It is able to buy a further 3 per cent but further purchases are unlikely in the short term.

The shares closed 2p lower at 683p.

Slingsby dips 33%

HC Slingsby, the trucks and ladders company, reported a 33 per cent drop in pre-tax profits from £302,169 to £203,633 for the six months to June 30. Turnover edged ahead 11 per cent from £5.9m to £6.55m.

The company said trading conditions continued to be variable.

Earnings per share fell to 14.1p (20.9p). An interim dividend of 3p is maintained.

Andrews Sykes

The independent directors of Andrews Sykes are delaying giving a recommendation on the increased offer from Mr Jacques Murray, valuing the industrial services company at £10.7m, until they have received advice.

In a statement yesterday they said they would be writing to shareholders in due course.

Mr Murray, Andrews' chairman, increased the offer he is making through European Fire Protection Holdings, his private Netherlands-based company, on Wednesday.

The independent directors gave split advice on the first offer, which valued Andrews at £8.24m. They said that risk-averse shareholders should consider selling in the market while those who had confidence in Andrews' potential should reject the offer.

Bid for Dakota

Three executive directors of Dakota Group are taking the USM-quoted printing and packaging concern private through a recommended offer from CBW.

The 23p per share offer, which has received commitments to accept in respect of 17.2m Dakota shares (63.7 per cent), values the company at I£6.21m (£6.14m).

CBW, is controlled by Dakota's chief executive, Mr Colum Kelleher, Mr William Carlile and Mr Brendan Mowles, who together hold about 17.5 per cent of Dakota.

The buy-out is being funded by Bank of Scotland and First Irish Mezzanine Fund.

Simons & Co

Simons & Co, a subsidiary of Geest Industries, the food group, has not traded in the half year to July 2. Interest of £12,005 was received on intergroup indebtedness, from which a dividend was paid to preference shareholders for the six months to June 30. Last year's interest received amounted to £12,041.

No dividend is payable to ordinary shareholders.

Mitie purchase

Mitie Group, the building maintenance company, has acquired the 42 per cent minority interest in Trident Maintenance Services, the Scottish commercial painting and decorating business, for 746,649 new ordinary shares.

DIVIDEND ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Slingsby (HC) ....Int	3	Jan 4	3	-	12

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Facing the reality of price pressures

The squeeze is on for the UK's specialist chemicals companies, reports Tim Burt

When it comes to setting prices, some of Britain's leading speciality chemicals companies pay scant regard to the government's inflation target range of 1 to 4 per cent.

The companies, which rely on bulk petrochemicals to manufacture products ranging from latex and foam to paint, are under mounting pressure to pass on sharp increases in raw materials prices, which for some commodities have more than doubled.

Their freedom to charge more has been restricted, however, because many industrial customers are reluctant to pay higher prices in a competitive low–inflation environment.

"Demand has been relatively slack, so many companies will have to absorb the higher raw material prices through internal cost savings," warns Mr Keith Wey, senior economist at the Chemical Industries Association.

That prospect has prompted a series of cautious trading statements in recent weeks from speciality chemicals companies, including British Vita, Hickson International, Holliday Chemicals and, most recently, Yule Catto.

Reporting a 42 per cent increase in half-year profits last week, the Harlow-based chemicals and building products group warned that rising raw materials prices could hamper future growth.

Although it has reduced costs to offset the impact of price rises, Mr Alex Walker, chief executive, said margins could be squeezed in the second half.

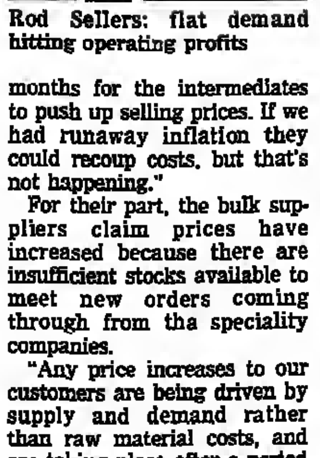
Many of these companies cut costs aggressively during the recession and now have little room for manoeuvre, especially those relying on commodities such as ethylene, styrene, orthoxylene and methanol.

European spot prices for ethylene, the building block for many chemical products, have risen by 120 per cent from \$250 (£158) per tonne in April to \$550 last month; methanol, by comparison, rose 125 per cent from \$187 per tonne to \$422.

Contract prices have also risen steadily although they still remain below the 1989 peak, when ethylene sold at \$700 per tonne against \$400 per tonne this month.

While warning that the increases would hit margins, City analysts said the speciality chemicals companies had enjoyed substantial gains while commodity prices languished at historic lows in the past two years.

"The bulk chemicals producers such as ICI are exacting revenge for the price cuts they suffered during the recession," says Mr Martin Evans at Hoare Govett. "It will take several months for the intermediates to push up selling prices. If we had runaway inflation they could recoup costs, but that's not happening."



Rod Sellers: flat demand hitting operating profits

For their part, the bulk suppliers claim prices have increased because there are insufficient stocks available to meet new orders coming through from the speciality companies.

"Any price increases to our customers are being driven by supply and demand rather than raw material costs, and are taking place after a period of unsustainable low levels during the recession," says Mr Peter Corners, business manager at ICI Olefines.

Prices for ethylene, for example, rose sharply following shortages in the US where supplies were hit after an explosion in August at Exxon Chemical's Baton Rouge plant in Louisiana, where production was interrupted for several weeks.

Stocks normally available to UK intermediates have also been diverted to east Asia following the closure of some chemicals plants in Japan, where a prolonged drought led to water restrictions for industrial users.

But warnings of widespread shortages are viewed with some scepticism at British Vita, the foam and fibre group.

"I'm not sure how many shortages there really are. I think the bulk suppliers are playing that card a bit too strongly," said Mr Rod Sellers, chief executive.

He blamed pricing pressures and flat demand among customers for sluggish half year operating profits, adding that the group's main markets were static or improving only slowly.

British Vita has reduced its workforce by 5 per cent to 12,800 and tried to cut costs, but Mr Sellers warned: "Either we have to pass on price increases or we will have to make fundamental changes in product specifications."

Raw material price increases have also hit those companies which have enjoyed increased demand. Supplies bought at contract prices are proving insufficient, and extra orders are set at much higher spot prices.

"In some cases we can pass it on, but it's proved difficult because stocks were run down last year," says Mr Jim Ratcliffe, managing director of Inspec, the speciality chemicals company which came to the market earlier this year.

City analysts are sympathetic, but remind the manufacturers that they've never had it so good.

"It will be hard to pass on meaningful increases, but they've had a very comfortable time during the past two years," says Mr Philip Morrish of Smith New Court.

The worst affected companies are now enduring a time lag before cost increases can be recovered, and although the industry has been through similar cycles in the past, this time the prospects are grimmer for passing on higher prices.

"Last time this happened the economy was growing faster," says Martin Evans at Hoare Govett. "But now it's a different story – the squeeze is on."

Hollinger to raise Telegraph stake

By Christopher Price

Shares in The Telegraph jumped 20p to 330p in London yesterday after Hollinger, the Canadian publishing company controlled by Mr Conrad Black, said it would seek to increase its 57 per cent stake in the UK newspaper group.

Hollinger said it would begin purchasing any available stock "at or around current market prices" from the start of trading on Monday.

Hollinger said it "is prepared initially to buy up to 6.8m ordinary shares," which would account for about 5 per cent of The Telegraph's shares.

At yesterday's close, the exercise would cost Hollinger more than £22m ($34.76m).

The move is likely to excite further controversy over Mr Black's dealings with The Telegraph. In May, Hollinger reduced its stake in The Telegraph to 57 per cent from 66.2 per cent, raising C$152m (US$113.4m), only weeks before the The Daily Telegraph cut its cover price as a price war erupted in Britain's newspaper industry. The share price consequently slumped to 332p from 540p. A London Stock Exchange inquiry cleared Mr Black of any wrongdoing, although Cazenove, the company's broker, later resigned.

Yesterday, Mr Jack Boultbee, Hollinger vice-president, said: "Conrad Black stated before that if the price was right he would buy Telegraph shares; that's just what he's done.

"We think The Telegraph represents one of the better long-term investments around at the moment. We are committed investors and will not turn around and re-sell this when the shares move up to, say, £5."

On the controversy surrounding the group's last dealings in The Telegraph, he said: "Buying these shares isn't going to improve our image in the City of London. Only time will do that. But we're doing this because it's a darn good investment." But he added Hollinger would have begun buying several weeks ago had there not been a conflict.

Analysts speculated that the Hollinger statement could signal an end to the newspaper price war. "The feeling is that The Times will increase its price in the next few months, which would allow everyone else to move theirs upwards too," said one broker. The Times, owned by News Corporation, is the cheapest quality broadsheet paper.

However, Mr Stephen Grabena, managing director of The Telegraph, denied the Hollinger move would be followed by an increase in The Daily Telegraph's price. "We have no plans to change the cover price in the foreseeable future."

Crédit Lyonnais reduces first-half charge

By Andrew Jack

Crédit Lyonnais, the financially-troubled French banking group, reduced the level of provisions it was planning to make for the first half of the year by more than FFr1bn ($180m) after last-minute discussions with regulators.

This reduced the overall level of provisions to FFr10.1bn. Many analysts believe this is only about half the level that will be required to cope with the legacy of non-performing loans inherited from the bank's activities over the past few years.

Banking sources suggested yesterday that planned provisions in the six months to June 30 on its exposure to activities in other countries were reduced by up to FFr2bn after discussions between Crédit Lyonnais officers, its new auditors and the French banking commission and state auditing commission.

The reduction partly reflects the tensions between Mr Jean Peyrelevade, the chairman of the bank appointed by the government last year, and the economics and finance ministry, which has been resisting the bank's demands for additional state support against outstanding potential liabilities.

Government sources suggested this month that Mr Peyrelevade had originally told Mr Edmond Alphandéry, the economics minister, that Crédit Lyonnais would require provisions of up to FFr25bn.

Officials have demanded far more detailed and justified quantification of potential provisions before providing public assurance that they would underwrite the losses this may cause.

The bank has been under pressure to sell off core activities as well as industrial investments, although it remains committed to maintaining its European network, which includes about 1,000 branches outside France and 2,200 within the country.

It emerged yesterday that Crédit Lyonnais was poised to appoint a new member to its executive committee with special responsibilities for internal management support in the restructuring operations.

Mr Pascal Lamy, previously director of Mr Jacques Delors' cabinet in Brussels, is reviewing operations within the bank, and is expected shortly to become the fourth member of the committee alongside Mr Peyrelevade, Mr Michel Renault and Mr Dominique Bazy.

ITT expected to take majority stake in Ciga

ITT, the US conglomerate which owns the Sheraton hotel chain, is expected to announce early next week it has a majority stake in Ciga, the Italian luxury hotels group, following an agreed bid, writes Andrew Hill in Milan.

Sources said yesterday the US group could end up with as much as 55 per cent of Ciga, ending a year-long struggle for full control of the troubled hotels group. The ITT offer closed on Friday night and details of the outcome should be disclosed after the weekend.

ITT already owns 35.25 per cent of Ciga.

Sun Hung Kai profits rise 32%

By Louise Lucas in Hong Kong

Sun Hung Kai Properties, one of Hong Kong's leading property developers and controlled by the Kwok family, yesterday posted a 32 per cent increase in net profits to HK$8.8bn (US$1.1bn) for the year to June 30.

This is in line with market expectations and compares with HK$6.7bn for the previous year.

Earnings were struck on the back of HK$15.2bn in sales, 48 per cent up on the previous year's HK$10.3bn.

Following Henderson Land, the developer which reported on Wednesday, Sun Hung Kai Properties is awarding a special cash bonus to mark the "very satisfactory" results.

Shareholders are to receive a bonus of 38 cents a share on top of the final dividend of HK$1.01 a share. This gives a total annual payout of HK$1.92 a share, 25 per cent up on the previous year (adjusted for a capitalisation issue).

Earnings a share rose 24 per cent to HK$3.91 from HK$3.16.

Sun Hung Kai Properties is the last of the colony's big developers to report, and its figures confirm the sector's ability to weather the storms of 1994, which have included government measures to cool property prices and rising interest rates.

Mr Walter Kwok, chairman and chief executive, said that while residential property prices had tumbled between 15 per cent and 20 per cent from the highs in the first quarter of the year, end-users were gradually returning to the market and prices were stabilising.

"Strong demand for housing is expected to continue as a result of sustainable growth in household income. The fundamental factors underpinning the residential market remain unchanged, though interest rate movements need to be monitored," he said.

Growth continues at European chip maker

By John Ridding in Paris

The strong improvement in results at SGS-Thomson, the Franco-Italian semiconductor manufacturer, continued in the second quarter with profits increasing 47 per cent to $86.5m.

The second-quarter rise took first-half net profits to $166.1m, slightly above the figure for the whole of 1993. The first half of the group's financial year ended at the beginning of July.

The company, formed in 1987 through the merger of Thomson Semiconductor of France and Italy's SGS Microelectronics, said the improvement in results reflected the buoyancy of the international semiconductor market, the introduction of products and increased productivity.

The strong demand for semiconductors and related products was reflected in sales of $1.27bn, a rise of 32 per cent over the comparable period in 1993. In the second quarter, revenues amounted to $672m.

SGS-Thomson said all of its principal product groups increased sales in the second quarter, while bookings during the period were described as strong.

The company's principal markets include semiconductors for applications in telecoms, computers and control systems.

Its principal geographical markets in Europe, the Americas and Asia Pacific, reported increased turnover.

Industry analysts in Paris said they expected the strong sales growth of the past few years to slow towards the end of this year.

"Demand will remain healthy for the foreseeable future, but there will be a cooling off as more capacity comes on stream and as the cycle peaks," said an electronics analyst.

SGS-Thomson said it had continued to invest heavily in new equipment and facilities, particularly in France, Italy and the US. However, the debt-to-equity ratio was maintained at about 25 per cent, according to the group.

Disney to promote French cinema in US

By Andrew Jack in Paris

Mickey Mouse may soon be blushing in embarrassment, thanks to an attempt by his masters to bring the gems of the French cinema to American audiences in readily digestible form.

EuroDisney, the French-based theme park, announced yesterday that Mr Philippe Bourguignon, chairman, had decided to set up a new subsidiary of Miramax, owned by Walt Disney, which would promote French films in the US.

Mr Bourguignon, who had the idea but will not be directly involved in managing the company, said the aim was to release at least three French films a year in the US.

Asked whether some of the more sensuous French films would be on offer uncut to American mass market tastes – often considered more prudish – EuroDisney said no decisions had been taken on the types of film to be supported.

It said the new company aimed to dub four existing French films into English by 1996, in an attempt to broaden the audience of European cinema away from a minority "elite type of viewer" prepared to read sub-titles.

EuroDisney said that the new company aimed to dub four existing French films into English by 1996

The subsidiary may also threaten the dominance of a few leading French actors, such as Gerard Depardieu, by taking an active part in casting French actors in Miramax film productions.

EuroDisney – which has been criticised for being too American in outlook for its European customers – lost no opportunity to emphasise the French image of the initiative.

It said the company would be based in Paris and would be headed by a French citizen, Ms Agnes Matré, vice-president of Miramax.

The company admitted that EuroDisney wanted to build its own, international identity, but stressed the reason behind the move was purely "a business decision" and that "we should focus on and retain our Disney roots".

The new company intends to work on about five European productions a year and set up co-productions with French producers.

It will find French locations for English language films, and plans to acquire at least two French films for shooting by the end of 1996.

It wants to expand the market for French classic films, and has bought the rights for US release of two: Bunuel's *Belle du Jour* and Clement's *Plein Soleil*.

Metallgesellschaft cuts debt by two-thirds to DM1.2bn

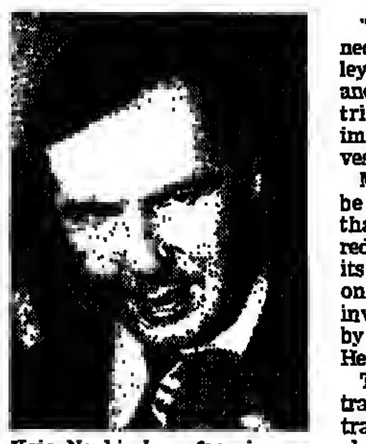
By Christopher Parkes in Frankfurt

Metallgesellschaft has reduced its net debt by two-thirds, and made a "precision landing" on targets set earlier this year when creditor banks agreed a DM3.4bn ($2.2bn) rescue package, according to Mr Kajo Neukirchen, chairman.

Debts of DM3.6bn at the end of the 1992-93 financial year had been cut to DM1.2bn by the end of September, he said yesterday. Bank liabilities had been reduced to DM4.1bn from DM7.6bn.

The assets sale instituted when he took control last December had generated DM4.2bn, and 90 subsidiaries had been disposed of or deconsolidated.

Cost savings of DM500m this year would be followed by a further DM1bn by the end of the current financial year, when the company expects to show an operating profit of more than DM100m.



Kajo Neukirchen: focusing on the group's core interests

In a scornful assessment of the synergies attributed to the old Metallgesellschaft, Mr Neukirchen said they should not be over-estimated.

"A company which simultaneously distributes aircraft galleys, holds stakes in bakeries and trades in developing countries' debt can only be improved by targeted disinvestment," he added.

Mr Neukirchen appeared to be responding to criticisms that the group has been reduced to a mere shadow of its former self by his radical onslaught on the alleged investment excesses wrought by his sacked predecessor, Mr Heinz Schimmelbusch.

The company would concentrate on its core interests in trading, plant construction, chemicals and financial services, he said.

Lead and zinc operations would be rationalised further, and the environmental divisions would be tightened. In the medium term the company would withdraw from loss-making recycling and environmental cleaning operations.

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Brazil rain hits coffee futures

Coffee prices tumbled at the London Commodity Exchange yesterday as reports of rain in Brazilian growing areas "spooked" speculators holding long positions.

The market had been set up for e big fall by an overnight plunge in New York prices. That hed been factored into London values by the midday close, when the January position was quoted at $3,675 a tonne, down $168, traders told the Reuters news agency. But the sellers were not yet done. As New York prices fell still further in early business LCE futures followed suit, and with more rain reported in Brazil the close the January price was down at the close to $3,523 e tonne, having lost $320 on the day and $332 on the week. At one stage it dipped to e six-week low of $3,499 a tonne.

"There has been a lot of nervousness and people do tend to panic a little when they have seen the rain," one trader explained. "If we see more rain over the weekend, we will come in Monday and be under pressure again."

At the London Metal Exchange copper and zinc values lost ground yesterday. But the relatively modest declines, wbicb dealers attributed chiefly to profit-taking, left them both with net rises on the week.

Copper prices began on Tuesday to claw back the beavy falls suffered late last week after an earlier strong advance boiled over. At yesterday's close the three months delivery position stood at $2,535 a tonne a tonne, np $44.50 overall but $43 short of last week's 3¾-year high. Scarcity of supplies available for immediate delivery kept the cash quotation at a premium to three months.

The three months price had peaked at $2,542 a tonne early in the day after the announcement of a big fall in LME warehouse stocks. But that had been widely expected and the price slipped back to $2,524 before buyers were tempted back into the market in any numbers. The sellars regained the upper band, however, once the afternoon ring was over. In after hours trading the price was hovering only a few dollars above $2,500 a tonne.

"The market is still nervous after last week's sell-off and it still fears a further wave of investor liquidation," a trader told Reuters.

The zinc market bas been lagging the other LME metals for most of this year as continuing overproduction and, therefore, rising stocks have weighed down sentiment. But this week the investment funds that have been so influential in the recent strength of the copper and aluminium markets eppeared to decide that it was time for this metal to benefit from their ministretions. A sharp price jump in mid-week was trimmed back slightly yesterday following another rise, though a relatively modest one, in LME stocks, but at the close the three months quotation was still showing a $40.25 rise on the week at $1,069.75 a tonne.

Dealers suggested that the market was poised for further gains to push it past the 20-month higb reached on Thursday.

Aluminium prices meanwhile headed back towards their recent highs, encouraged by European merchant demand. The three months afternoon ring close of $1,651.25 a tonne yesterday, near the day's high, was up $3.75 on the day and $33.75 on the week. But the price edged back below $1,650 in after hours trading.

Fears of US interest rate rises put the gold price under pressure early yesterday. But supported at $392 a troy ounce held once again.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-24,950	to 2,267,800
Aluminium alloy	unchgd	at 25,560
Copper	-12,000	to 347,375
Lead	-1,575	to 368,750
Nickel	+1,392	to 148,352
Zinc	+4,350	to 1,237,250
Tin	+50	to 32,185

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1994 High	1994 Low
Gold per troy oz.	$392.70	-1.10	$357.25	$396.50	$369.50
Silver per troy oz	358.00p	+0.40	285.50p	384.50p	331.50p
Aluminium 99.7% (cash)	$1634.5	+42.0	$1095.5	$1634.5	$1107.50
Copper Grade A (cash)	$2542.0	+65.0	$1674.0	$2542.00	$1731.50
Lead (cash)	$633.5	+13.0	$371.0	$621.5	$426.0
Nickel (cash)	$6665	+300	$4512.5	$6665	$5210.0
Zinc SHG (cash)	$1049.5	+43.0	$889.5	$1053	$900.5
Tin (cash)	$5385	+70	$4880	$5850.0	$4730.0
Cocoa Futures Mar	£969	-49	£915	£1124	£859
Coffee Futures Jan	$3623	-332	$1173	$4091	$1175
Sugar (LDP Raw)	$308.50	-5.10	$266.5	$316.4	$252.8
Barley Futures Jan	£104.60	-0.95	£103.75	£105.50	£92.65
Wheat Futures Jan	£106.50	-0.50	£101.35	£117.50	£97.80
Cotton Outlook A Index	73.60c	-0.20	55.20c	67.10c	62.45c
Wool (64s Super)	438p	-15	323p	485p	342p
Oil (Brent Blend)	$17.21x	+0.56	$17.18	$18.61	$13.16

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Nov

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1634-5	1651-1.5
Previous	1628.5-9.5	1647-8
High/low		1654/1639
AM Official	1629-30	1645-5.5
Kerb close		1645-6
Open int.	255,008	
Total daily turnover	55,645	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1677-82	1692-5
Previous	1660-70	1683-5
High/low	1680	1700/1680
AM Official	1655-60	1675-80
Kerb close		1675-85
Open int.	3,005	
Total daily turnover	178	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	633-4	847-8
Previous	627.5-8.0	642-3
High/low		648/643
AM Official	631.5-2	645.5-6
Kerb close		646-7
Open int.	42,193	
Total daily turnover	4,288	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6660-70	6765-70
Previous	6580-90	6680-90
High/low		6800/6700
AM Official	6685-95	6795-800
Kerb close		6750-60
Open int.	71,417	
Total daily turnover	16,429	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5380-90	5460-70
Previous	5380-5	5460-5
High/low		5525/5445
AM Official	5385-90	5465-70
Kerb close		5480-5
Open int.	15,897	
Total daily turnover	2,852	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1049-50	1069.5-70
Previous	1052.5-3.5	1074-5
High/low		1072/1062
AM Official	1045-6	1065.5-6
Kerb close		1067-8
Open int.	101,283	
Total daily turnover	25,852	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2541.5-2.5	2534.5-5.5
Previous	2540-1	2537-8
High/low	2542	2545/2512
AM Official	2540.5-1	2532-3
Kerb close		2520-2
Open int.	224,986	
Total daily turnover	63,895	

■ LME AM Official £/$ rate: 1.5920
LME Closing £/$ rate: 1.5900

Spot:1.5870 3 mths:1.5860 6 mths:1.5826 9 mths:1.5782

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Oct	118.70	-1.90	118.25	116.50	2,236	527
Nov	115.25	-1.70	117.10	116.80	1,036	6
Dec	114.65	-1.70	116.70	114.10	38,767	5,859
Jan	114.15	-1.50	115.75	115.15	733	134
Feb	113.65	-1.60	-	-	438	12
Mar	113.25	-1.50	115.00	112.90	8,121	488
Total					55,709	7,420

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	392.50-392.90	
Opening	392.70-393.10	
Morning fix	392.85	247.060
Afternoon fix	392.00	246.309
Day's High	394.20-394.60	
Day's Low	389.60-390.00	
Previous close	391.60-392.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.60	6 months	4.98
2 months	4.67	12 months	5.29
3 months	4.85		

Silver Fix	p/troy oz.	US cts equiv.
Spot	355.30	565.50
3 months	360.30	573.10
6 months	365.96	580.85
1 year	380.10	599.90

Gold Coins	$ price	£ equiv.
Krugerrand	394-397	248-251
Maple Leaf	403.45-406.00	-
New Sovereign	92-95	58-61

Spices
Prices of black and white pepper reached record highs this week, although the market activity was less active, reports Man Producten. Most buyers who had no immediate need to replenish stocks adopted a "wait-and-see" attitude. That was quite logical after the breathtaking price rise of some 30 to 35 per cent during September for most grades of black pepper. The price of black ASTA reached US3,100 a tonne in the US market, while in the European market the "faq" grade reached $2,600. White pepper prices in Indonesia were firmer, mainly because of the expected negative influence of very dry weather there. Spot Muntok white was at $3,500 a tonne. A period of consolidation or even correction may now be on the cards, after which we expect prices to continue the uptrend.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	91.05	-0.05	92.90	90.80	8,096	900
Jan	94.40	-0.05	96.30	94.30	8,253	675
Mar	97.80	+0.10	99.35	97.80	4,880	206
May	101.50	-	103.00	103.00	1,161	20
Jul	105.00	+0.20	106.00	106.00	818	13
Sep	106.00	+0.40	108.75	108.75	216	10
Total					22,696	2,024

	Close	Prev
BFI	1747	1723

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 7	Oct 6	month ago	year ago
2076.5	2094.3	2092.5	1573.3

■ CRB Futures (Base: 1967=100)

Oct 0	Oct 5	month ago	year ago
230.26	229.86	232.69	217.37

■ COCOA LCE

	Dec	Mar	Dec	Mar
925	35	89	26	45
950	24	76	40	57
9750	15	64	56	70

■ BRENT CRUDE IPE

	Nov	Dec	Nov	Dec
1650	79	82	7	26
1700	39	78	15	46
1750	14	53	37	75

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Nov)

		+or-
Dubai	$16.07-6.15t	+0.215
Brent Blend (dated)	$16.95-6.67	+0.290
Brent Blend (Nov)	$17.20-7.22t	+0.250
W.T.I. (1pm est)	$18.57-8.59t	+0.316

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$173-176	+2.0
Gas Oil	$163-164	+4.5
Heavy Fuel Oil	$91-94	-8.5
Naphtha	$107-168	+3.0
Jet fuel	$185-187	+6.0
Diesel	$167-168	+5.5

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

Gold (per troy oz)♣	$392.70	+0.90
Silver (per troy oz)♣	564.5c	+2.5
Platinum (per troy oz.)	$420.10	-1.15
Palladium (per troy oz.)	$153.50	-0.10
Copper (US prod.)	123.0c	+1.0
Lead (US prod.)	39.25c	
Tin (Kuala Lumpur)	13.89c	+0.10
Tin (New York)	252.5c	
Cattle (live weight)†	117.55p	+0.16*
Sheep (live weight)†♠	94.43p	+5.68*
Pigs (live weight)	75.81p	-1.06*
Lon. day sugar (raw)	$308.50	-0.90
Lon. day sugar (wte)	$278.00	-0.90
Tate & Lyle export	£306.00	-1.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$136.0	
Wheat (US Dark North)	Unq.	
Rubber (Nov)♥	94.75p	+0.75
Rubber (Dec)♥	94.25p	+0.76
Rubber (KL RSS No1 Jul)	352.5m	+1.5
Coconut Oil (Phil)§	$612.5u	+12.5
Palm Oil (Malay.)§	$687.5t	+12.5
Copra (Phil)§	$393.0u	+6.0
Soyabeans (US)	£154.0v	
Cotton Outlook'A' Index	73.60c	+0.10
Wooltops (64s Super)	438p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y July/Sep. z Aug. v Nov/Dec. u Oct/Nov. 1 Nov. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week @ Prices are for previous day.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	82.6000	-0.590	10.20	10.30	9.47
Belgium		7.250	04/04	81.5500	+0.080	8.57	8.53	8.69
Canada *		6.500	06/04	83.7000	+0.060	9.07	8.86	9.05
Denmark		7.000	12/04	86.7700	+0.500	8.04	9.02	9.25
France	BTAN	8.000	05/98	101.1250	+0.120	7.59	7.45	7.33
	OAT	5.500	04/04	82.4600	+0.450	8.22	8.12	8.08
Germany Treu		7.500	09/04	98.4700	+0.230	7.72	7.83	7.59
Italy		8.500	08/04	80.2000	-0.690	11.98†	11.45	12.29
Japan	No 116	4.800	06/99	102.7400	-0.290	4.11	3.89	8.61
		4.100	12/03	95.7770	-0.490	4.76	4.54	4.49
Netherlands		5.750	01/04	87.6300	+0.190	7.66	7.50	7.42
Spain		8.000	05/04	81.3500	+0.090	11.25	11.16	11.22
UK Gilts		6.000	08/99	89-29	-1/32	8.58	8.63	8.47
		6.750	11/04	86-26	-7/32	8.73	8.81	8.82
		9.000	10/08	102-10	-7/32	8.71	8.77	8.78
US Treasury *		7.250	08/04	98-16	-21/32	7.75	7.82	7.42
		7.500	11/24	94-28	-32/32	7.95	7.33	7.60
ECU (French Govt)		8.000	04/04	82.6300	+0.150	8.75	8.97	8.61

London closing. *New York mid-day. Yields: Local market standard.
1 Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. *Source: MMS International*

US INTEREST RATES

Lunchtime

Prime rate	7¾
Broker loan rate	6½
Fed.funds	4¾
Fed.funds at intervention	-

Treasury Bills and Bond Yields

One month	4.85
Two month	4.89
Three month	5.13
Six month	5.64
One year	6.10

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
100	1-62	2-45	1-34	2-57
101	1-29	2-17	2-01	3-29
102	1-02	1-55	2-38	4-03

Est. vol. total, Calls 2575 Puts 2712. Previous day's open int., Calls 62026 Puts 58693

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	97-21	97-20	-0-03	98-01	97-00	193,290	396,320
Mar	96-16	96-30	-0-03	97-11	96-15	1,539	25,886
Jun	96-00	96-04	-	96-15	96-00	205	10,901

ECONOMIC DIARY – FORWARD EVENTS

TOMORROW: Austrian general elections. Belgium holds local elections.

MONDAY: Credit business (August). Producer price index numbers (September). Conference on Security and Co-operation in Europe (CSCE) review conference in Budapest to prepare documents for approval by CSCE summit on December 5 and 6. European Union economic and financial council meets in Luxembourg to discuss recommendations for meeting Maastricht criteria. Israel and Jordan resume peace talks at the Dead Sea. World conference on tobacco and and health in Paris (until October 14). Columbus Day holiday in the United States - some markets closed. Preliminary figures to be announced by Lucas Industries.

TUESDAY: Conservative Party holds annual conference in Bournemouth (until October 14). General strike expected in Pakistan. Announcement of Nobel Prize for economics.

WEDNESDAY: Retail prices index (September). Labonr markat statistics: unemployment and unfilled vacancies (September-provisional); average earnings indices (August-provisional); employment, bours, productivity and unit wage costs; industrial disputes. Labour force survey (key results) (June-August). Index of production and construction for Wales (second quarter). European and east Asian economic summit in Singapore.

THURSDAY: New earnings survey 1994 Part B: analyses by agreement. Machine tools (August). Capital issues and redemptions (September). US producer price index (September). Bundesbank council meets in Frankfurt.

FRIDAY: Usable steel production (September). Overseas transactions of UK consultancy firms (1993). US consumer price index (September): industrial production and capacity utilisetion (September) and raal earnings (Septamber). Japan wholesale price index (September); bank data (September). Italian trade unions hold general strike in protest against 1995 budget. Vietnam's National Assembly starts new session. Announcement of 1994 Nobel Peace Prize.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar puzzle

Ambiguous economic data in the US yesterday prevented foreign exchange markets from getting a clear idea of the outlook for the dollar, *writes Philip Gawith.*

The employment report, which the market had anxiously anticipated all week, was such a curate's egg as to leave unresolved the question of whether monetary policy should be further tightened.

Renewed concerns about tension in Iraq, however, supported the dollar against the yen. The US currency closed in London at Y100.225, from Y99.75. It was the first time in five weeks that the dollar had closed above Y100. The dollar finished against the D-Mark at DM1.5411 from DM1.5444.

Elsewhere, the focus stayed on the Italian lira and the Finnish markka. The Italian currency weakened after police raided the offices of prime minister Silvio Berlusconi's Fininvest company. After touching a low of L1,020 against the D-Mark, it closed at L1,018, from L1,014.

The Finnish currency maintained its recent run to reach FM3.075 against the D-Mark, from FM3.09,and other Nordic currencies rose in its wake.

Sterling had an uneventful day, finishing at DM2.4511, from DM2.4526. Against the dollar it closed at $1.5905 from DM1.5888.

■ **Pound in New York**

Oct 7	— Latest —	— Prev. close —
£ spot	1.5880	1.5907
1 mth	1.5856	1.5903
3 mth	1.5851	1.5896
1 yr	1.5732	1.5775

■ For most analysts, it is a question of when, rather than if, the Fed next tightens. It is now expected to wait for next week's inflation, retail sales and industrial production data before making any move.

The outlook for the dollar against the yen is slightly different. Some observers attribute the dollar's close above Y100 to the Iraq effect. Tensions in the region pushed oil prices to an eight-week high, and the yen has traditionally suffered from high oil prices.

Mr Mike Gallagher, of the financial consultancy IDEA, said a re-rating of the yen was clearly underway. Having been firmly bullish of the currency, the market was now more neutral, following last weekend's US-Japan trade agreement.

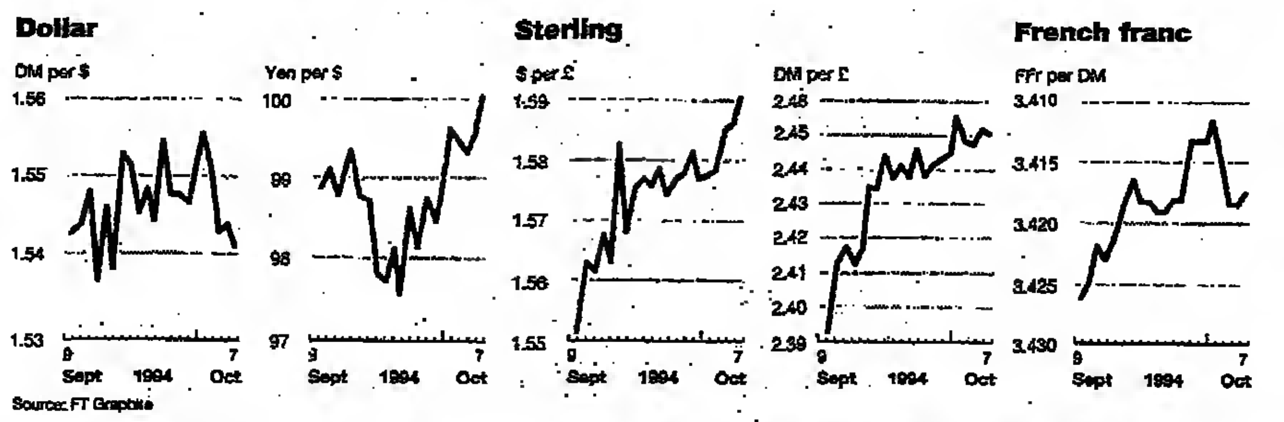
This view was borne out hy movement in the yen yesterday. Despite firmer money market rates, apparently tolerated by the Bank of Japan, and hence encouraging speculation that the BOJ might wish to raise official rates, the yen maintained its weaker tone.

Mr Brian Marber, a technical analyst, said that hy closing above Y100, the dollar had broken the downtrend. The intermediate trend against the yen, he said, was now up.

Against the D-Mark, however, Mr Marber was less sanguine. He said he remained of the view that the dollar would still break downwards. He said it had already done so against the Swiss franc, and this often tended to lead the dollar on the downside.

He predicted that if the dollar closed below DM1.5350, hreaking a pattern of five weeks, "it goes down a lot further". Mr Marber said it was not unprecedented for a currency to be rising against some currencies, while weakening against others.

■ The Bank of England provided UK money markets with £480m assistance, compared to a forecast shortage of £600m. Three month sterling LIBOR was unchanged at 6 per cent. The firmer performance of gilts helped the short sterling market, with the December contract finishing at 93.37 from 93.30.



Source: FT Graphite

■ **OTHER CURRENCIES**

Oct 7	£	$
Hungary	171.259 - 171.515	107.710 - 107.810
Iran	2753.00 - 2756.00	1748.00 - 1750.00
Kuwait	0.4724 - 0.4739	0.2971 - 0.2979
Poland	36713.1 - 36613.4	23090.0 - 23140.0
Russia	4652.30 - 4660.15	2925.00 - 2930.00
U.A.E.	5.8353 - 5.8470	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Oct 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2509	-0.0089	420 - 597	17.2741	17.2163	17.2465	0.3	17.2347	0.4	-	-	115.0
Belgium	(BFr)	50.4173	-0.0621	951 - 395	50.5210	50.3120	50.4373	-0.5	50.3523	0.5	50.0223	0.8	110.7
Denmark	(DKr)	9.5909	-0.011	866 - 952	9.6173	9.5687	9.5866	0.5	9.603	-0.5	9.6197	-0.3	118.7
Finland	(FM)	7.5325	-0.0452	224 - 426	7.5960	7.4950	-	-	-	-	-	-	88.1
France	(FFr)	8.3767	-0.0056	725 - 809	8.3980	8.3560	8.3764	0.1	8.3725	0.2	8.3125	0.8	110.8
Germany	(DM)	2.4511	-0.0015	497 - 524	2.4671	2.4440	2.4499	0.6	2.4486	0.7	2.4156	1.4	126.1
Greece	(Dr)	374.154	-0.067	650 - 657	374.963	373.303	-	-	-	-	-	-	-
Ireland	(I£)	1.0114	-0.0014	106 - 121	1.0137	1.0096	1.0113	0.1	1.0116	-0.1	1.0138	-0.2	105.6
Italy	(L)	2494.80	+8.88	328 - 952	2500.84	2487.10	2501.8	-3.3	2513.55	-3.0	2565	-2.8	74.7
Luxembourg	(LFr)	50.4173	-0.0621	951 - 395	50.5210	50.3120	50.4373	-0.5	50.3523	0.5	50.0223	0.8	118.7
Netherlands	(Fl)	2.7438	-0.002	426 - 449	2.7488	2.7375	2.7428	0.4	2.7391	0.7	2.708	1.4	120.6
Norway	(NKr)	10.6532	-0.0277	485 - 578	10.7358	10.5901	10.6526	0.1	10.6563	-0.1	10.6572	0.0	86.3
Portugal	(Es)	250.210	+0.004	059 - 360	250.673	249.616	251.94	-8.3	255.12	-7.8	-	-	-
Spain	(Pta)	202.981	-0.363	884 - 078	203.625	202.671	203.381	-2.4	204.061	-2.1	206.616	-1.8	86.1
Sweden	(SKr)	11.6367	-0.0382	254 - 479	11.7114	11.6250	11.6557	-2.0	11.7032	-2.3	11.9167	-2.4	78.3
Switzerland	(SFr)	2.0318	-0.0016	304 - 332	2.0358	2.0236	2.0288	1.8	2.0231	1.7	1.9828	2.4	123.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.3
Ecu	-	1.2823	-0.001	815 - 831	1.2848	1.2802	1.2816	0.4	1.2817	0.2	1.2785	0.3	-
SDR†	-	0.923056	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5869	+0.002	863 - 874	1.5928	1.5852	-	-	-	-	-	-	-
Brazil	(R)	1.3400	-0.0016	388 - 411	1.3427	1.3387	-	-	-	-	-	-	-
Canada	(C$)	2.1432	+0.0021	422 - 442	2.1540	2.1400	2.1426	0.3	2.1418	0.4	2.1358	0.4	87.7
Mexico	(New Peso)	5.4354	+0.0116	299 - 409	5.4538	5.4264	-	-	-	-	-	-	-
USA	($)	1.5905	+0.0025	900 - 909	1.5965	1.5887	1.5901	0.3	1.5895	0.2	1.5772	0.8	62.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1544	+0.008	530 - 557	2.1645	2.1507	2.1543	0.0	2.1557	-0.2	2.1739	-0.9	-
Hong Kong	(HK$)	12.2909	+0.0198	866 - 951	12.3362	12.2772	12.287	0.4	12.2859	0.2	12.293	0.0	-
India	(Rs)	49.8905	+0.0729	704 - 105	50.0740	49.8410	-	-	-	-	-	-	-
Japan	(Y)	159.403	+1	316 - 488	159.970	158.480	158.923	3.6	157.673	3.6	152.588	4.3	185.9
Malaysia	(M$)	4.0788	+0.0109	768 - 807	4.0958	4.0683	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6291	+0.0026	272 - 309	2.6375	2.6267	2.633	-1.6	2.6406	-1.8	2.6831	-1.3	-
Philippines	(Peso)	40.7156	-1.1284	245 - 066	42.2550	40.6235	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9706	+0.0092	681 - 730	5.9925	5.9648	-	-	-	-	-	-	-
Singapore	(S$)	2.3555	+0.0052	540 - 569	2.3628	2.3510	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6779	+0.0036	739 - 818	5.6931	5.6716	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6402	-0.0058	224 - 579	6.8194	6.6169	-	-	-	-	-	-	-
South Korea	(Won)	1270.53	+1.56	008 - 097	1275.28	1269.21	-	-	-	-	-	-	-
Taiwan	(T$)	41.6062	+0.0307	896 - 243	41.7581	41.5580	-	-	-	-	-	-	-
Thailand	(Bt)	39.8066	+0.0748	939 - 202	39.9560	39.7520	-	-	-	-	-	-	-

†SDR rates for Oct 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.8465	-0.023	440 - 490	10.8890	10.7920	10.8465	0.0	10.8463	0.0	10.7715	0.7	104.2
Belgium	(BFr)	31.7000	-0.088	950 - 050	31.7700	31.6130	31.7	0.0	31.71	-0.1	31.77	-0.2	105.7
Denmark	(DKr)	6.0303	-0.0182	293 - 313	6.0486	6.0022	6.0345	-0.8	6.0438	-0.9	6.1003	-1.2	105.1
Finland	(FM)	4.7361	-0.0357	311 - 411	4.7800	4.7090	4.7361	0.0	4.7388	-0.2	4.7528	-0.3	82.2
France	(FFr)	5.2669	-0.0116	657 - 680	5.2783	5.2416	5.2685	-0.4	5.2674	0.0	5.2697	-0.1	106.5
Germany	(D)	1.5411	-0.0033	407 - 415	1.5480	1.5330	1.5408	0.2	1.5393	0.5	1.5317	0.6	106.7
Greece	(Dr)	235.250	-0.405	000 - 500	235.620	234.900	235.55	-1.5	236.125	-1.5	238.625	-1.4	68.8
Ireland	(I£)	1.5727	+0.0047	719 - 734	1.5808	1.5678	1.5725	0.1	1.5724	0.1	1.5572	1.0	-
Italy	(L)	1568.68	+3.16	610 - 925	1572.00	1564.63	1573.43	-3.8	1581.38	-3.2	1628.16	-3.7	75.4
Luxembourg	(LFr)	31.7000	-0.088	950 - 050	31.7700	31.6130	31.7	0.0	31.71	-0.1	31.77	-0.2	105.7
Netherlands	(Fl)	1.7252	-0.0039	249 - 254	1.7390	1.7172	1.725	0.1	1.7232	0.5	1.7154	0.8	105.6
Norway	(NKr)	6.6982	-0.0278	972 - 992	6.7500	6.6533	6.7042	-1.1	6.7217	-1.4	6.7832	-1.3	98.3
Portugal	(Es)	157.320	-0.24	270 - 370	157.510	156.580	158.025	-5.4	159.22	-4.8	163.57	-4.0	95.0
Spain	(Pta)	127.625	-0.425	600 - 650	128.030	127.410	127.91	-2.7	128.38	-2.4	130.675	-2.6	80.9
Sweden	(SKr)	7.3188	-0.0354	116 - 216	7.3712	7.3020	7.3328	-2.7	7.3641	-2.6	7.5396	-3.0	81.2
Switzerland	(SFr)	1.2775	-0.0031	770 - 780	1.2802	1.2700	1.276	1.5	1.2728	1.5	1.2568	1.8	108.6
UK	(£)	1.5905	+0.0025	900 - 909	1.5965	1.5887	1.5901	0.3	1.5895	0.2	1.5772	0.6	88.7
Ecu	-	1.2403	+0.0028	399 - 407	1.2444	1.2376	1.2396	0.7	1.239	0.4	1.2338	0.5	-
SDR†	-	1.48488	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9978	-0.0003	977 - 978	0.9978	0.9977	-	-	-	-	-	-	-
Brazil	(R)	0.8425	-0.0025	420 - 430	0.8430	0.8420	-	-	-	-	-	-	-
Canada	(C$)	1.3476	-0.0007	473 - 478	1.3495	1.3465	1.3477	0.0	1.3471	0.1	1.3539	-0.5	84.3
Mexico	(New Peso)	3.4175	+0.002	150 - 200	3.4200	3.4150	3.4185	-0.4	3.4203	-0.3	3.4277	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3546	+0.0029	541 - 550	1.3559	1.3530	1.3549	-0.2	1.3556	-0.3	1.3629	-0.6	86.6
Hong Kong	(HK$)	7.7279	+0.0005	274 - 284	7.7284	7.7274	7.7277	0.0	7.7284	0.0	7.7434	-0.2	-
India	(Rs)	31.3688	-0.0025	650 - 725	31.3725	31.3650	31.4538	-3.3	31.5988	-2.9	-	-	-
Japan	(Y)	100.225	+0.475	200 - 250	100.500	99.7600	99.955	3.2	99.395	3.4	96.73	3.5	148.3
Malaysia	(M$)	2.5645	+0.0028	640 - 650	2.5680	2.5590	2.5653	4.3	2.544	3.2	2.6175	-2.1	-
New Zealand	(NZ$)	1.6530	-0.0009	523 - 537	1.6545	1.6523	1.6539	-0.7	1.6558	-0.7	1.6611	-0.5	-
Philippines	(Peso)	25.6000	-0.75	500 - 500	25.6500	25.5500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7540	-	535 - 545	3.7545	3.7535	3.7553	-0.4	3.7594	-0.6	3.778	-0.6	-
Singapore	(S$)	1.4810	+0.0009	805 - 616	1.4850	1.4787	1.4797	1.1	1.4778	0.8	1.471	0.7	-
S Africa (Com.)	(R)	3.5700	-0.0033	685 - 715	3.5785	3.5670	3.5855	-5.2	3.6138	-4.6	3.6905	-3.4	-
S Africa (Fin.)	(R)	4.1750	-0.01	650 - 850	4.2900	4.1650	4.2087	-9.7	4.2675	-8.9	-	-	-
South Korea	(Won)	798.850	-0.25	800 - 900	799.200	798.800	801.85	-4.5	805.35	-3.3	823.85	-3.1	-
Taiwan	(T$)	26.1800	-0.021	660 - 840	26.2010	26.1580	26.16	-0.9	26.22	-0.9	-	-	-
Thailand	(Bt)	25.0285	+0.0065	270 - 300	25.0300	25.0150	25.101	-3.5	25.2285	-3.2	25.7085	-2.7	-

†SDR rate for Oct 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 6. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.02	16.62	4.862	2.006	4947	5.441	21.13	496.3	402.5	23.07	4.029	1.984	4.251	3.154	316.2	2.543
Denmark	(DKr)	52.57	10	8.734	2.556	1.054	2601	2.860	11.11	260.9	211.6	12.13	2.118	1.043	2.235	1.658	166.2	1.337
France	(FFr)	60.18	11.45	10	2.926	1.207	2978	3.276	12.71	298.7	242.2	13.88	2.425	1.194	2.559	1.898	190.3	1.531
Germany	(DM)	20.57	3.913	3.417	1	0.412	1018	1.118	4.345	102.1	82.78	4.745	0.829	0.408	0.874	0.649	65.03	0.523
Ireland	(I£)	49.86	9.486	8.285	2.424	1	2467	2.713	10.53	247.5	200.7	11.50	2.009	0.989	2.120	1.573	157.7	1.268
Italy	(L)	2.021	0.385	0.336	0.098	0.041	100.	0.110	0.427	10.03	8.136	0.466	0.081	0.040	0.086	0.064	6.391	0.051
Netherlands	(Fl)	18.38	3.496	3.054	0.894	0.369	909.2	1	3.883	91.21	73.97	4.240	0.740	0.365	0.781	0.580	58.11	0.467
Norway	(NKr)	47.33	9.005	7.865	2.301	0.949	2342	2.578	10	234.9	190.5	10.92	1.907	0.939	2.012	1.493	149.7	1.204
Portugal	(Es)	20.15	3.833	3.348	0.980	0.404	996.6	1.096	4.257	100.	81.10	4.648	0.812	0.400	0.857	0.635	63.71	0.512
Spain	(Pta)	24.84	4.726	4.128	1.208	0.498	1229	1.352	5.249	123.3	100.	5.732	1.001	0.493	1.056	0.784	78.56	0.632
Sweden	(SKr)	43.34	8.246	7.202	2.107	0.869	2144	2.358	9.157	215.1	174.5	10	1.746	0.860	1.843	1.367	137.1	1.102
Switzerland	(SFr)	24.82	4.722	4.124	1.207	0.498	1228	1.351	5.244	123.2	99.90	5.726	1	0.492	1.055	0.783	78.48	0.631
UK	(£)	50.41	9.590	8.376	2.451	1.011	2494	2.743	10.65	250.2	202.6	11.63	2.031	1	2.143	1.590	159.4	1.282
Canada	(C$)	23.52	4.475	3.909	1.144	0.472	1184	1.280	4.970	116.8	94.68	5.427	0.948	0.467	1	0.742	74.38	0.598
US	($)	31.70	6.031	5.268	1.542	0.636	1569	1.725	6.698	157.4	127.6	7.314	1.277	0.629	1.348	1	100.3	0.806
Japan	(Y)	31.62	6.018	5.255	1.538	0.634	1565	1.721	6.681	157.0	127.3	7.298	1.274	0.627	1.344	0.997	100.	0.804
Ecu		39.32	7.480	6.534	1.912	0.789	1945	2.140	8.307	195.2	158.3	9.072	1.584	0.780	1.672	1.240	124.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Dec	0.6480	0.6498	+0.0015	0.6530	0.6480	17,358	77,367
Mar	0.6517	0.6506	+0.0013	0.6530	0.6484	56	3,935
Jun	-	0.6506	-	-	-	3	593

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Dec	1.0077	1.0031	-0.0045	1.0087	1.0006	13,802	50,829
Mar	1.0148	1.0113	-0.0042	1.0148	1.0092	202	3,003
Jun	-	1.0257	-0.0036	-	-	132	514

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Dec	0.7833	0.7850	+0.0017	0.7888	0.7825	6,299	34,207
Mar	0.7900	0.7078	+0.0017	0.7925	0.7870	16	808
Jun	0.7955	0.7910	+0.0014	0.7955	0.7910	3	63

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Dec	1.5880	1.5912	+0.0028	1.5960	1.5880	11,149	40,144
Mar	1.5980	1.5900	+0.0094	1.5950	1.5880	44	378
Jun	-	1.5840	-	1.5800	1.5820	1	6

EMS EUROPEAN CURRENCY UNIT RATES

Oct 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14835	-0.00068	-2.20	5.43	-
Ireland	0.808628	0.791438	-0.000675	-2.13	5.35	14
Belgium	40.2123	39.4719	-0.016	-1.84	5.04	13
Germany	1.94964	1.91878	-0.00038	-1.58	4.77	-
France	6.53883	6.55790	-0.00106	0.29	2.81	-2
Denmark	7.43679	7.50203	-0.01354	0.88	2.21	-6
Portugal	192.854	195.840	+0.084	1.55	1.54	-10
Spain	154.250	159.048	-0.136	3.11	0.00	-22
NON ERM MEMBERS						
Greece	264.513	292.957	+0.037	10.75	-6.80	-
Italy	1793.19	1954.53	+9.81	9.00	-5.40	-
UK	0.786748	0.782783	-0.000932	-0.50	3.63	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.500	9.23	9.17	9.23	-	0.01	0.13
1.525	6.78	6.79	7.08	-	0.06	0.38
1.550	4.30	4.55	5.08	-	0.29	0.84
1.575	2.01	2.66	3.37	0.13	0.86	1.62
1.600	0.44	1.33	2.11	1.05	1.99	2.73
1.625	0.01	0.54	1.22	3.67	3.64	4.31

Previous day's vol., Calls 8,746 Puts 3,804. Prev. day's open int., Calls 395,383 Puts 321,576

WORLD INTEREST RATES

MONEY RATES

October 7	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
[illegible]								

EURO CURRENCY INTEREST RATES

[illegible]

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

[illegible]

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.80	94.84	+0.01	94.85	94.58	21517	184879
[illegible]							

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

[illegible]

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

[illegible]

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

[illegible]

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

[illegible]

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

[illegible]

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

[illegible]

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

[illegible]

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

[illegible]

Est. vol. total, Calls 10625 Puts 3631. Previous day's open int., Calls 304408 Puts 184685

BASE LENDING RATES

	%
Adam & Company	5.75
Allied Trust Bank	5.75
AIB Bank	5.75
●Henry Ansbacher	5.75
Bank of Baroda	5.75
Banco Bilbao Vizcaya	5.75
Bank of Cyprus	5.75
Bank of Ireland	5.75
Bank of India	5.75
Bank of Scotland	5.75
Barclays Bank	5.75
Brit Bk of Mid East	5.75
●Brown Shipley & Co Ltd	5.75
CL Bank Nederland	5.75
Citibank NA	5.75
Clydesdale Bank	5.75
The Co-operative Bank	5.75
Coutts & Co	5.75
Credit Lyonnais	5.75
Cyprus Popular Bank	5.75
Duncan Lawrie	5.75
Exeter Bank Limited	6.75
Financial & Gen Bank	6.5
●Robert Fleming & Co	5.75
Girobank	5.75
●Guinness Mahon	5.75
Habib Bank AG Zurich	5.75
●Hambros Bank	5.75
Heritable & Gen Inv Bk	5.75
●Hill Samuel	5.75
C. Hoare & Co	5.75
Hongkong & Shanghai	5.75
Julian Hodge Bank	5.75
●Leopold Joseph & Sons	5.75
Lloyds Bank	5.75
Meghraj Bank Ltd	5.75
Midland Bank	5.75
*Mount Banking	6
NatWestminster	5.75
●Rea Brothers	5.75
*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Royal Bk of Scotland	5.75
●Smith & Williamson Secs	5.75
TSB	5.75
●United Bk of Kuwait	5.75
Unity Trust Bank Plc	5.75
Western Trust	5.75
Whiteaway Laidlaw	5.75
Yorkshire Bank	5.75

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 4.2(a) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ф Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £122⅛ (30Se94)
Exchequer 10½% Stk 2005 - £110⅞ (5Oc94)

Corporation and County Stocks

London County 2½% Cons Stk 1920(or after) - £26½ (30Se94)
Dudley Metropolitan Borough Council7% Ln Stk 2019 (Reg)(F/P) - £77 (4Oc94)
Leicester City Council 7% Ln Stk [illegible]

UK Public Boards

Foreign Stocks, Bonds, etc- (coupons payable in London)

Rothschilds Continuation Fin(C.I.)Ld9% Perp Subord Ctd Nts (Br£Various) - £79¼ (30Se94)
Royal Bank of Scotland PLC 8⅝% Bds 2004(Br£Vars) - £81⅞ (30Se94)
Royal Bank of Scotland PLC 10.5% Subord Bds 2013 (Br £ Var) - £102 (4Oc94)
Royal Insurance Hldgs PLC 9⅝% Subord Bds 2003 (Br £ Var) - £96 (3Oc94)
Sainsbury (J.)(Channel Islands)Ld 9½%CnvCapBds 2005(Br £5000&100000) - £127¼ (5Oc94)
Sinsera Navigation Corporation 3.75% Bds 2003 (Br $10000&100000) - $99 100½
Smithkline Beecham Capital PLC 8⅛% Ctd Nts 1998 (Br £ Var) - £96¾ (3Oc94)

Nationwide Building Society 13.5% Subord Nts 2000 (Br £10000) - £114 (5Oc94)
Northumbrian Water Group PLC 8¼% Bds 2002 (Br £ Var) - £87⅞
Norway (Kingdom of) 7% Nts 1996 (Br $5000&100000) - $100.4 (30Se94)
Pacific Electric Wire&Cable Co Ld 3½% Bds 2001(Br$10000) - $118 (5Oc94)
Pearson Sterling Two PLC 9.5% Gtd Bds 2004(Br£ Vars) - £98⅞
PowerGen PLC 8⅞% Bds 2003 (Br £10000&100000) - £95¼ (5Oc94)
RTZ Canada Inc 7¼% Gtd Bds 1998(Br£5000&100000) - £93⅞ (30Se94)
Robert Fleming Intl Finance Ld 9¼% Perp Subord Gtd Nts (Br £ Var) - £81⅞ (4Oc94)

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

B.A.T Industries PLC ADR (2:1) - $13.3
BET PLC ADR (4:1) - $6.374784ф .4574184ф
BM Group PLC 4.8p (Net) Cnv Cum Red Prf 20p - 66
BOC Group PLC ADR (1:1) - $10⅞ (5Oc94)
BOC Group PLC 4.56% Cum Prf £1 - 87 (30Se94)
BTP PLC 7.5p(Net) Cnv Cum Red Prf 10p - 160.01 1 (4Oc94)
BTR PLC ADR (4:1) - $19.7
Bank of Ireland(Governor & Co of) Units NCP Stk SrsA Ir£1&Ir£9 Liquidation - I£10.6 (5Oc94)
Banner Homes Group PLC Ord 10p - 125 32 (4Oc94)
Barclays PLC ADR (4:1) - $35¼
Barclays Bank PLC 12% Uns Cap Ln Stk 2010 - £114ф

Investment Trusts

USM Appendix

Rule 4.2(a)

RULE 2.1 (a)(v)

Bargains marked in securities (not falling within Rule 2.1 (a)(i)) where the principal market is outside the UK and Republic of Ireland.

By Permission of the Stock Exchange Council

FT-SE ACTUARIES INDICES

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LONDON STOCK EXCHANGE

MARKET REPORT

Firm close for equities as bonds advance again

By Terry Byland, UK Stock Market Editor

A firm performance from bond prices again helped UK equities move higher to challenge the FT-SE 3.000 mark, brushing off a scare about reported developments on the Kuwait border as Wall Street opened positively in the wake of the keenly-awaited US employment data. The FT-SE 100 Share Index closed 14.3 ahead at 2,998.7 and long dated gilt-edged stocks were around ¾ of a point higher.

Equity trading volume remained modest but the market looked more confident as the US employment statistics failed to dislodge an early gain which took the Footsia to within five points of the 3,000 mark. Confidence was challenged in the second half of the session when reports flashed across the trading screens suggesting Iraqi troop movements on the Kuwait border.

Oil shares, and also sterling, flicked higher on the news agency reports from the Middle East, and the Footsie gain was trimmed from 11 to 4 points very quickly as investors pondered the implications of a renewed threat to oil prices and bond yields as well as currencies.

But tbe news agency reports could not be fully sustained in UK market bours. Markets soon settled down again, and the Footsie rallied behind a Dow Industrial Average which added 12 points in UK trading hours.

At last night's closing reading, the Footsie Index was down just under 1 per cent over a week which has seen the market unsettled by fears that the US Federal Reserve may soon raise its key interest rates again. Worry over upward pressures on global rates are focused sharply on the possibility that UK base rates could be forced higher again before the end of the year.

Bnt the gilt-edged market, where a recovery is seen as the necessary requisite for a return to health in equities, has been in better form this week. Short-dated gilts, those most closely linked to base rate perceptinns, edged forward yesterday and longer dates, more keenly aligned to views on inflation, extended their early gains in the second half of the session. Past weeks have seen investment cash moved from equities into gilts.

Nevertheless, sentiment remained unsettled and an erratic equity market dipped sharply in early trading when futures selling fell on an unwilling equity market. Next week brings a heavy list of economic data from both sides of the Atlantic.

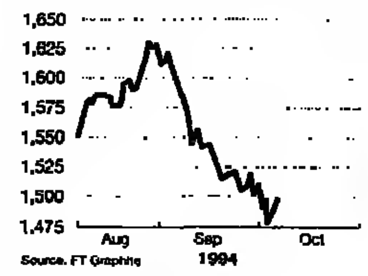
On the bome front, investors will focus on the Retail Price Index fnr September which is due, together with average earnings and wage cost statistics, in the middle of the week. Later, markets will face the producer price index from the US, with retail sales and consumer price figures to follow.

Most of the action lay in the Footsie stocks yesterday, and the FT-SE Mid 250 Index was left to edge ahead by 2 points to 3,447.5. Business in non-Footsie stocks made up only just over half of yesterday's Seaq volume total of 512.4m shares which was nearly 12 per cent down on the previnus session. While retail business, life-hlood of the big securities firms, has remained satisfactory, it has become more narrowly focused, threatening the financial health of the less prominent names in the market.

On Thursday, retail, or customer business, was worth £1.2bn, maintaining the flow of profitable trading sessions for the London-based securities industry.

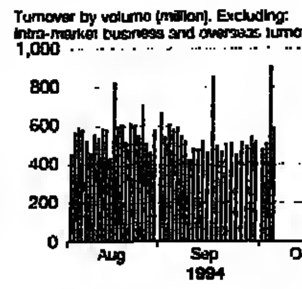
In spite of the weakness of the stock market, many market strategists have repeated relatively bullish forecasts for prospects for the F-SE 100 Index over the final three months before the end of the year. Economic recovery, in the form of corporate earnings and dividends is still seen the near-term prop fnr the stock market, although two leading firms warned yesterday that consumer spending might continue to face restraints both this year and next.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios		
FT-SE Mid 250	3447.5	+2.0
FT-SE-A 350	1505.6	+5.7
FT-SE-A All-Share	1494.19	+5.10
FT-SE-A All-Share yield	4.03	(4.04)
FT Ordinary index	2310.4	+2.3
FT-SE-A Non Fins p/e	16.36	(16.32)
FT-SE 100 Fut Dec	3017.0	+21.0
10 yr Gilt yield	8.82	(8.91)
Long gilt/equity yld ratio:	2.20	(2.21)

FT-SE 100 Index	
Closing index for Oct 7	2998.7
Change over week	-27.6
Oct 6	2984.4
Oct 5	2958.3
Oct 4	3001.8
Oct 3	2983.5
High*	3025.2
Low*	2950.2

*Intra-day high and low for week

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
3i†	1,000	316½	+2	Lonrho	4,000	140½	+4
ASDA Group†	4,700	61	-1½	Lucas	4,000	177	-5
Abbey National†	1,800	392	+7	MEPC†	1,000	425	-3
Albert Fisher	3,400	45		MFI	944	127	-1
Allied Domecq†	1,900	566	+4	Manweb	17	765	+3
Anglian Water	216	525	+1	Marks & Spencer†	1,200	404	+2
Argos	178	307	-2	Midlands Elect.	1,300	710	-5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Johnson Matthey	29	535		Wellcome†	496	668	-2
Kingfisher†	1,400	485	-6	Welsh Water	11	634	+6
Kwik Save	429	541	+6	Wessex Water	295	600	-5
Ladbroke†	1,300	154½	+1½	Whitbread†	467	524	-2
Land Securities†	1,500	604	-4	Williams Hldgs.†	294	330	+1
Laporte	136	695	+1	Willis Corroon	340	152	+6
Legal & General†	664	440	+3	Wimpey	95	138	+3
Lloyds Abbey	435	327		Wolseley†	1,900	721	-14
Lloyds Bank†	1,000	538	-4	Yorkshire Elect.	1,100	682	-12
LASMO	3,100	151	+4	Yorkshire Water	56	519	+6
London Elect.	33,000	683	-2	Zeneca†	1,300	815	+6

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures moved ahead strongly for the second day running with turnover nnce again at a good level.

The FT-SE 100 December contract closed 21 points higher at 3,017.0 for a two-day advance of 43 points. Trading voluma was 13,892, against 13,092 on Thursday.

At the official close the premium to the cash market was 18.3 points and the fair valua premium around 15.5 points. Traded option volume was 27,669 lots, down from 39,117

Buyers moved in quickly nnce Wall Street came into the reckoning.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	2980.0	3017.0	+21.0	3020.0	2975.0	15461	55885
Mar		3041.0	+21.0			0	2176

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3450.0	3460.0	+10.0	3470.0	3450.0	330	4018

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3455.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*2997) £10 per full index point

	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P
Oct	208½	5½	162½	7½	119½	12	80½	22½	47½	42	24	70½	11	108½	4	153
Nov	232½	17½	189	25½	150	37	113½	50	83½	70½	58½	96	38	126½	24	164½
Dec	248	29½	207	53	171½	54½	137	71½	109½	93	83	117½	61½	147½	44	161
Jan	265½	39½	228	53	192½	66	161	85	132	105½	105	129	83½	158	63	189
Jun†	325½	74			258½	105			198½	144½			150	195½		

Calls 4,796 Puts 12,940

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2825 C	2825 P	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P
Oct	189½	6	162½	10½	96	16½	59½	29½	31½	54	17	86½	7	127	3	172½
Nov	206½	18½	166	28	130	41½	98	59½	71½	82	49	109½	32½	142½	19	179
Dec	222½	32½	185	44½	150½	59½	119½	78	93½	101½	70	127	51	157½	36	191
Mar	278½	60½			203½	90½			147	131½			100½	182½		
Jun†	310½	81			245½	112			189	151½			139	197½		

Calls 780 Puts 1,811 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3450	3500	3550	3600	3650	3700	3750
Oct	162½	95⅛	133¼	85¼	107¾	108		

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1993 based on Friday October 7 1994

Oil Exploration & Prod	+7.22	FT-SE Mid 250 ex IT	-8.89	Water	-12.61
Printing, Paper & Pckg	+6.09	Food Manufacturers	-8.90	Diversified Industrials	-13.49
Extractive Inds	+5.80	FT-SE Mid 250	-9.07	Gas Distribution	-14.74
Mineral Extraction	+4.76	Non-Financials	-9.23	Distributors	-15.60
Oil, Integrated	+4.73	Pharmaceuticals	-9.68	Life Assurance	-15.73
Engineering, Vehicles	+2.75	Spirits, Wines & Ciders	-10.46	Retailers, General	-16.84
FT Gold Mines Index	+0.69	Investment Trusts	-10.70	Transport	-16.87
Chemicals	-0.97	Services	-10.70	Telecommunications	-18.26
Engineering	-1.12	Electronic & Elec Eqpt	-10.82	Building Materials	-18.32
Retailers, Food	-1.74	Health Care	-10.87	Property	-19.90
Leisure & Hotels	-2.56	FT-SE-A All-Share	-11.17	Household Goods	-20.17
Electricity	-3.04	Consumer Goods	-11.27	Financials	-20.28
FT-SE SmallCap ex IT	-4.07	FT-SE-A 350	-11.57	Insurance	-20.61
FT-SE SmallCap	-5.15	Textiles & Apparel	-12.17	Banks	-21.65
Breweries	-6.24	FT-SE 100	-12.28	Building & Construction	-22.11
Media	-6.28	Support Services	-12.54	Tobacco	-22.49
Gen Manufacturers	-8.85	Utilities	-12.59	Merchant Banks	-23.86

FT - SE Actuaries Share Indices — The UK Series

	Oct 7	Day's chge%	Oct 6	Oct 5	Oct 4	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1994 High		1994 Low		Since Compilation High		Since Compilation Low	
FT-SE 100	2998.7	+0.5	2984.4	2958.3	3001.8	3108.6	4.22	7.25	16.29	105.74	1135.92	3520.3	2/2	2876.6	24/6	3520.3	2/2/94	986.9	23/7/84
FT-SE Mid 250	3447.5	+0.1	3445.5	3429.2	3455.3	3477.3	3.62	5.98	20.20	103.76	1285.35	4152.8	3/2	3383.4	27/6	4152.8	3/2/94	1379.4	21/1/86
FT-SE Mid 250 ex Inv Trusts	3441.4		3440.1	3423.0	3448.1	3486.0	3.79	6.45	18.79	107.68	1280.27	4160.7	19/1	3362.4	27/6	4160.7	19/1/94	1378.3	21/1/86
FT-SE-A 350	1505.9	+0.4	1500.2	1487.7	1507.9	1551.6	4.08	6.95	17.05	51.33	1166.65	1778.3	2/2	1451.3	24/6	1778.3	2/2/94	664.5	14/1/86
FT-SE SmallCap	1771.94	-0.2	1775.01	1778.51	1795.39	1782.38	3.34	4.97	25.27	45.66	1375.98	2094.98	4/2	1771.94	7/10	2094.98	4/2/94	1363.79	31/12/92
FT-SE SmallCap ex Inv Trusts	1743.66	-0.2	1746.74	1750.29	1765.94	1775.02	3.54	5.51	23.07	47.07	1357.82	2060.72	4/2	1743.66	7/10	2060.72	4/2/94	1363.79	31/12/92
FT-SE-A ALL-SHARE	1494.19	+0.3	1489.09	1477.82	1497.44	1536.97	4.03	6.81	17.46	50.07	1177.34	1764.11	2/2	1445.85	24/6	1764.11	2/2/94	61.92	13/12/74

■ FT-SE Actuaries All-Share

	Oct 7	Day's chge%	Oct 6	Oct 5	Oct 4	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2685.61	+1.2	2652.88	2641.10	2668.27	2360.00	3.43	5.10	24.81	01.42	1080.88
12 Extractive Industries(4)	3931.38	+0.4	3917.05	3888.95	3944.28	3188.30	3.26	5.22	23.69	98.24	1084.73
15 Oil, Integrated(3)	2633.88	+1.5	2594.07	2582.12	2607.67	2315.50	3.58	5.71	21.81	85.60	1083.31
10 Oil Exploration & Prod(11)	1890.84	+0.1	1888.56	1894.97	1904.34	1916.10	2.20	‡	‡	38.03	1094.01
20 GEN MANUFACTURERS(267)	1842.70	-0.1	1845.00	1835.61	1860.08	1930.50	4.13	5.24	23.13	63.89	940.82
21 Building & Construction(33)	1018.55		1018.43	1017.84	1024.06	1168.50	3.87	5.44	24.23	32.32	799.74
22 Building Matls & Merchs(32)	1783.72	-0.2	1787.21	1803.46	1818.20	1888.20	4.14	5.21	23.44	61.63	842.37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

Switch in busy oil sector

Oil stocks, one of the quietest areas of the market in recent months as investors have focused on interest rate sensitive areas, suddenly moved centre stage, providing some of the biggest individual trades yesterday and also responding to developments in the Middle East.

Reports of big Iraqi troop manoeuvres close to the Kuwaiti border helped crude oil prices move up, stimulating all sorts of activity in oil shares which were already responding to strong overnight buying from the US.

The biggest move in the market involved one institution switching its entire holding of Enterprise Oil into BP. The switch was said to have been carried out hy NatWest Securities and involved 7.4m Enterprise shares, some 1.5 per cent of the group, and 7.1m BP shares. Speculation as to the seller of the block of Enterprise centred on the Prudential, Scottish Widows and Legal & General insurance companies .

Enterprise shares have performed badly this year retreating from a 1994 high of 457p, reached around two weeks before its ultimately unsuccessful bid move against fellow oil exploration group Lasmo.

BP sbares, on the otber hand, have gone from strength to strengtb hitting a record 430p last month, as the market responded to the company's strong earnings recovery and a string of exploration successes.

BP were additionally helped by talk of a buy recommendation from Cazenove and on hints of furtber exploration success west of the Shetlands.

At tbe close BP were 9 higher at 415½p on turnover of 20m shares while Enterprise settled 7 off at 386p with 15m traded.

Recs alert

Shares in the regional electricity companies fell sharply during early trading as Hoare Govett, the stockbroker, highlighted the possibility of a one-off tax on the National Grid disposal, but tbey subsequently rallied strongly after London Electricity bought in seven per cent of its shares.

Helping fuel the bullisb run by the stocks in the afternoon was news that Eastern Electricity had called an analysts meeting for Monday afternoon. The move was seen by dealers as indicating a possible share buy-back on Monday morning, a potential series of big cost cutting measures or even a takeover move against one of the other recs.

Eastern is the only Rec to have received shareholder permission to buy in up to 14.9 per cent of its shares, in this case, some 38m sbares. Eastern shares jumped 19 to 761p as the news filtered into the market.

London's broker, SG Warburg Securities bougbt tbe 15.3m London shares at 672p a share, in a move similar to that carried out for Northern Electricity and Midlands Electricity recently. London shares closed 2 off at 683p with turnover expanding rapidly to 33m following the share purchases by Warburg.

Newspaper group Telegrapb jumped sharply after parent grnup Hollinger said it intended to increase its sbarehnlding. The Canadian media group said it was confident nf the prospects nf the Telegraph and intended to huy up to 6.8m shares, taking its stake to 62 per cent from 57 per cent. The news offset a warning from the Telegraph that operating profits in the third quarter would be hit hy the newspaper price wars. The shares leapt 45 before closing 20 better at 330p.

Hard on the heels of Thursday's James Capel downgrade story Barclays Bank shares fell further, lnsing 8 more to 542p, after 539p, on stories that UBS is preparing a sell note on the stock and also on rumours circulating in the market that the bank bas suffered from substantial losses in proprietary trading.

Bank of Scotland managed a minor gain at 194p after Smith New Court executed a bought deal involving 4m sbares bougbt for 187p eacb and placed at 188p.

Vague rigbts issue talk also resurfaced at T&N, leaving the shares 2¼ lower 209¼p as the market speculated on the outcome of tbe company's plan for an enhanced scrip issue dividend.

Terms for the scrip are due to be announced towards the end of this montb with the $47m savings to T&N underpinning its purchase of control of a controlling stake in German motor components group Kolbenschmidt.

Lncas Industries lost ground ahead of Monday's full-year results, retreating 5 to 177p as rigbts issue rumours swirled around the shares whicb stood at 196p a week ago.

Turnover was relatively light at 3m trades and the consensus among analysts was that although sizeable restructuring provisions could well emerge on Monday, talk of an imminent financing move by the company was misplaced.

P&0 stood out among lacklustre transport shares, falling 6 to 596p in negligible trading volume. Tbe shares bave underperformed the market by 3 per cent over the past month and one top securities is knnwn to be teeing up a buy recommeodation.

Eurotunnel sbed a further 5 to 248p as traders digested the implications of a substantial stock overhang in the shape nf the 29m shares held by Bombardier of Canada.

News that fond retailer Argyll Group was to sell 101 Lo-Cost discount stores helped the shares shrug off worries over the pricing war curreotly being fought out hy competitors in the sector. The shares retreated to a low of 259p, before recovering on news of the deal and the improved market trend to close unchanged at 265p, In volume of 2.2m.

Nervous trading in Body Shop ahead of next week's interim figures left the shares trailing 6 at 247p. It was also caution ahead of figures later this month in Highland Distilleries that left tbe sbares 8 weaker at 423p.

Cadbury Schweppes closed 6 lower at 442p on talk that it wвs planning a launch a bid for US group Dr Pepper/Seven Up in whicb lt has a 26 per cent stake.

In the new issue market, ED & F Man traded at a substantial discount to the issue price nf 180p, closing at 172p.

A profits downgrading by Smith New Court in Leigh Interests, the environmental services group, saw the shares fall 7 to 195p.

Biotecb company Celltech was firm at 207p as Lehman Brotbers recommended tbe stock ahead of a presentatinn on October 25.

London International, the condom manufacturer, eased 3 to 84p ahead of suspected downgrades next week.

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (8).

ENGINEERING (2) Kelsey Inds., Sa. Hundred, EXTRACTIVE INDS (1) Coal Invs., LEISURE & HOTELS (1) Chrysalis, OTHER FINANCIAL (1) Baltic, PROPERTY (1) Ewart, TRANSPORT (2) Go-Ahead, P & O 5½pc Prfd.

NEW LOWS (153).

GILTS (1) BANKS (1) BREWERIES (1) Paramount, BUILDING & CNSTRN (8) Bellway, Bryant, Crest Nichol, Persimmon, Ward Hldgs., Westbury, BLDG MATLS & MCHTS (6) Haywood Williams, Do Cnv. Prf., Marley, Meyer Int'l., Rugby, Spring Ram, CHEMICALS (2) Perstorp, Wellington, DISTRIBUTORS (4) Charles Sidney, Lookers 8pc Pf., Millgate, Persona, DIVERSIFIED INDLS (4) BTR, Hanson 9½pc Cnv. Bd., Suter, Widney, ELECTRNC & ELECT EQUP (1) Johnson Electric., ENGINEERING (9) ENG. VEHICLES (1) Benson, EXTRACTIVE INDS (2) Minorco, Portman, FOOD MANUF (2) Everest, Unigate, GAS DISTRIBUTION (1) Calor, HEALTH CARE (2) Intercare, M.L. Labs., HOUSEHOLD GOODS (3) Cornwall Parker A, Creighton Naturally, Lionheart, INSURANCE (3) Aon Corp., Bradstock, Marsh & McLennan $1, INVESTMENT TRUSTS (30) INVESTMENT COMPANIES (4) LEISURE & HOTELS (3) Brent Walker, Hi-Tec, Kunick 5¼p Prf., LIFE ASSURANCE (1) Lincoln Nat'l., MEDIA (5) Barbour Index, Hodder Headline, Lopex, News Corp., Phonelink, MERCHANT BANKS (1) Wintrust, OIL EXPLORATION & PROD (3) OTHER FINANCIAL (6) PHARMACEUTICALS (2) PRTNG, PAPER & PACKG (2) AG, Sidlaw, PROPERTY (16) RETAILERS, GENERAL (10) Argos, Asprey, Benchmark, Boots, Fine Art Devlps., Frost, Lloyds Chemists 7½p Prf., MFI, Menzies (J), Nottingham, SUPPORT SERVS (5) Dudley Jenkins, Gresham Telecomputing, MR Data Management, Microgen, Stat-Plus, TEXTILES & APPAREL (1) UK Safety, TRANSPORT (3) AMERICANS (11).

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Chrysalis	213	+	7
Coal Invs	143	+	5
Eidos	395	+	60
Radamec	45	+	4
Rodime	14	+	3
Safeland	27	+	5
Telegraph	330	+	20
Verson Intl	13½	+	1½
Wolstenholme Rink	788	+	20
Falls			
Benson Group	6½	-	2½
Brockhampton	378	-	17
Frost Group	205	-	25
Govett & Co	353	-	16
Kode Intl	53	-	7
Leigh Interests	195	-	7
Lucas Inds	177	-	5
OEM	22	-	5
Persona	142	-	9
Wetherspoon (JD)	393	-	13
Zetters	138	-	6

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: *Charge made on sale of units.* Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: *Also called issue price.* The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expt Aug 21	748 1	771.5	—	0.96
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071-214 1050 (general enquiries)		071-214 1004 (dealing)		
Charitable Funds				
UK Growth & Income	54 53	56.49	-0.88	3.4
Income Plus	47 35	48.40xd	+0.05	7.1
CAF – Charity Money Management				
48 Pembury Rd, Tonbridge TN9 2JD		0732 770114		
Balanced Growth	70.84	73.42	—	[illegible]
Income	[illegible]	[illegible]	—	[illegible]
CMI Unit Trust Managers Ltd				
Co-op Bank Ethical Bz Sep 30	[illegible]	[illegible]	—	[illegible]
Cent. Bd. of Fin. of Church of England‡				
2 Fore Street, London EC2Y 5AD		071-588 1815		
Inv Fund Sep 30	[illegible]	[illegible]	—	[illegible]
Fxd Int Sec Sep 30	145.75	145.85	—	[illegible]
Deposit Fund: See Money Market Trust Funds.				
Charitguard UK Equity Fd/Fixed Int Fd				
Charinco/Charishare‡ (1000)F				
33 King William Street, EC4R 9AS		071-280 2800		
COIF–Charities Official Inv Fd‡				
2 Fore Street, London EC2Y 5AD		071-588 1815		
Income Sep 30	[illegible]	[illegible]	—	4.76
Accum Sep 30	[illegible]	[illegible]	—	—
Fixed Int Income Sep 30	[illegible]	[illegible]	—	—
Fixed Int Accum Sep 30	[illegible]	179.55	—	0.78

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Scottish Provident Group - Contd.

Scottish Provident Assurance Ltd Funds
(Formerly Prolific Life & Pensions Ltd)

Life Funds	Bid Price	Offer Price	+ or -	Yield Gross
Adventurous Mngd	195.8	208.4	-1.0	-
Balanced Gwth Mngd	774.8	824.3	+0.2	-
Cautious Mngd	141.1	150.2	-0.2	-
Fixed Interest	432.8	458.1	+0.6	-
Gilt Fund 20	458.8	483.1	+1.8	-
Equity	908.8	968.7	-5.8	-
International	412.2	438.6	-1.1	-
Property	290.0	309.3	+3.8	-
Cash	338.1	359.3	+0.2	-
Special Situations	613.6	652.8	-0.5	-
High Income	668.8	711.5	-0.1	-
Extra Income	358.5	381.4	-1.0	-
Convertible & Gilt	171.9	182.0	-0.4	-
Pref & Fixed Interest	119.0	126.6	-0.1	-
Recovery	135.2	143.0	-0.6	-
UK Blue Chip	131.4	139.5	-0.3	-
American Income	198.4	211.1	-2.8	-
North American	512.3	544.9	-2.3	-
Far Eastern	925.1	985.1	-5.8	-
European	144.3	153.6	-0.7	-
Technology	503.3	535.4	-1.7	-
Equity Income Dist	112.8	118.7	-0.4	4.88
Managed Dist	108.5	112.3	-0.3	5.35
High Yield Dist	97.0	103.2	+0.1	6.98
Monthly Distribution	95	100	—	-
Pension Funds				
Vent-Prolific Acc	218.8	230.3	+0.2	-
Adventurous Managed Acc	214.7	226.9	-	-
Balanced Growth Mgd Acc	917.4	965.7	-1.2	-
Cautious Managed Acc	166.9	175.7	-0.4	-
Fixed Interest Acc	701.3	738.3	+1.0	-
Equity Acc	1209.5	1273.1	-7.2	-
International Acc	397.1	418.1	-3.3	-
Property Acc	387.4	407.9	+2.2	-
Managed Cash Acc	187.0	196.9	-0.2	-
Building Soc. Acc	398.4	419.4	-0.4	-
Special Situations Acc	515.8	540.2	—	-
High Income Acc	762.0	803.0	-4.0	-
Extra Income Acc	446.7	470.3	-0.6	-
Convertible & Gilt Acc	210.7	221.5	-	-
Pref & Fixed Interest Acc	140.0	148.4	-0.1	-
Recovery Acc	152.0	160.1	-0.8	-
UK Blue Chip Acc	142.2	149.7	-0.5	-
American Income Acc	231.0	243.2	-3.7	-
North American Acc	397.4	418.4	-1.7	-
Far Eastern Acc	632.1	710.1	-4.7	-
European Acc	182.0	189.3	-1.1	-
Technology Acc	361.9	380.7	-0.8	-

Swiss Life - Contd.

Individual Pension Funds	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Pension	2139.86	147.34	—	-
Fixed Int Pension	2146.25	154.88	—	-
Dep Admin Pension	2154.80	162.11	—	-
Mixed Pension	2142.70	150.21	—	-
Cash Pension	2139.70	147.06	—	-
Europe Pension	2120.57	126.92	—	-
Index Tracking Pension	2148.92	154.02	—	-
International PP	2143.77	151.34	—	-

Next sub day October 12

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

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American Phoenix Investment Portfolios (u)
13 rue Goethe, L-1637 Luxembourg 010 352 404646

BAII Intermarket Fund
2 Boulevard Royal, Luxembourg 010 352 4590 3382
NAV Sep 15 ... $- 554.46 +0.48

Bank Von Ernst & Cie AG
Marktgasse 63/65, 3001 Berne, Switzerland 013114051
Von Ernst Global Portfolio
Equity Sub-Funds

Hypo Foreign & Colonial Port Fd Sicav(u)
Exchange Hse, Primrose St EC2A 2NT 071-628 8000

INVESCO International Limited (u)
PO Box 271, St Helier, Jersey 0534 73114

Aetna International Umbrella Fund - Contd.

Alliance Capital

Lloyds Bank Luxembourg (u)
Lloyds International Liquidity

Lombard Odier Invest (u)

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Abtrust Fund Mngrs (Guernsey) Ltd

Adig Investment

Aetna Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Oct 7 / US$) (3 pm)

[illegible]

CANADA (Oct 7 / Can. $) (3 pm)

[illegible]

EUROPE

AUSTRIA (Oct 7 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Oct 7 / Frs.)

[illegible]

DENMARK (Oct 7 / Kr)

[illegible]

FINLAND (Oct 7 / Mkk)

[illegible]

FRANCE (Oct 7 / Frs.)

[illegible]

GERMANY (Oct 7 / Dm.)

[illegible]

ITALY (Oct 7 / Lire)

[illegible]

NETHERLANDS (Oct 7 / Fls.)

[illegible]

NORWAY (Oct 7 / Kroner)

[illegible]

SPAIN (Oct 7 / Pts.)

[illegible]

SWEDEN (Oct 7 / Kronor)

[illegible]

SWITZERLAND (Oct 7 / Frs.)

[illegible]

AFRICA

SOUTH AFRICA (Oct 7 / Rand)

[illegible]

PACIFIC

JAPAN (Oct 7 / Yen)

[illegible]

AUSTRALIA (Oct 7 / Aus$)

[illegible]

HONG KONG (Oct 7 / H.K.$)

[illegible]

MALAYSIA (Oct 7 / MYR)

[illegible]

SINGAPORE (Oct 7 / S$)

[illegible]

		+/-	High	Low	Yld	P/E
HawPar	3.20	-.02	3.50	2.45	3.4	...
Inchco	5.55	...	6.65	4.82	5.4	...
Keppel	12.60	..	13	0	1.6	...
OCBC	14.00		18.70	11	1.4	...
OUB	1.20	.	1.80	5.75	0.8	...
S AirF	73.00	+.70	15.10	10.40	1.6	...
SPress	18.40	+.10	17.10	13.10	1.4	...
S'pre1	3.28	-.02	3.88	3.14	0.9	...
Strok	3.48xd	+.09	4.28	3.18	3.8	...
TatLee	4.44	...	5.30	3.88	1.6	...
UOB	11.10	-.40	11.50	8.45	2.5	...

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1994. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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INDICES

		Oct 7	Oct 6	Oct 5	1994 High		1994 Low	
Argentina								
General (29/12/77)	(u)	19572.63	19740.51	25470.40	16/2		17786.90	20/4
Australia								
All Ordinaries(1/1/80)		1967.5	1976.3	1979.6	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)		1043.4	1044.4	1044.1	1136.10	3/2	904.60	5/5
Austria								
Credit Aktien(30/12/84)		390.56	390.21	390.78	460.66	2/2	390.21	6/10
Traded Index(2/1/91)		1049.73	1049.96	1048.15	1222.25	1/2	1011.38	6/6
Belgium								
BEL20 (1/1/91)		1336.39	1338.09	1338.33	1542.65	9/2	1336.39	7/10
Brazil								
Bovespa (29/12/83)	(u)	49794.0	51669.0	55110.00	13/9		3600.90	3/1
Canada								
Metals Mnls♦(1975)	(u)	4009.50	3994.10	4250.59	19/9		3298.08	20/4
Composite♦ (1975)	(u)	4276.30	4253.40	4609.90	23/3		3869.90	24/6
Portfolio§§ (4/1/83)	(u)	2040.83	2026.09	2182.69	1/2		1868.48	28/6
Chile								
IPGA Gen (31/12/80)	(u)	5202.2	5172.4	5202.20	6/10		3901.20	4/4
Denmark								
CopenhagenSE(3/1/83)		339.11	339.62	341.18	415.79	3/2	339.11	7/10
Finland								
HEX General(28/12/90)		1831.8	1670.5	1889.0	1972.00	4/2	1601.10	3/1
France								
SBF 250 (31/12/90)		1245.61	1241.06	1238.08	1585.20	2/2	1238.08	5/10
CAC 40(31/12/87)		1856.38	1843.38	1833.72†	2355.93	2/2	1833.72	5/10
Germany								
FAZ Aktien(31/12/58)		742.56	742.63	742.04	869.27	16/5	742.04	5/10
Commerzbank(1/12/53)		2118.80	2113.80	2116.30	2465.50	2/5	2116.30	5/10
DAX (30/12/87)‡		1960.59	1961.03	1968.72	2271.11	16/5	1960.59	7/10
Greece								
Athens SE(31/12/80)		874.03	879.33	873.59	1194.58	18/1	806.67	25/5
Hong Kong								
Hang Seng(31/7/64)		9284.88	9276.25	9298.36	12201.09	4/1	8369.44	4/5
India								
BSE Sens.(1979)		4426.56	4379.49	4350.05	4971.99	27/9	3464.00	5/1
Indonesia								
Jakarta Comp.(10/8/82)		515.05	511.46	503.64	612.89	5/1	449.72	12/7
Ireland								
ISEQ Overall(4/1/88)		1799.89	1799.52	1800.46	2082.18	20/1	1694.14	1/7
Italy								
Banca Comm Ital (1972)		629.9	646.91*	641.94	817.17	10/5	588.85	10/1
MIB General (4/1/94)		1020.0	1048.0	1040.0	1318.00	10/5	944.00	10/1
Japan								
Nikkei 225 (16/5/49)		19744.75	19855.23	19751.55	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)		289.11	293.80	289.89	311.71	13/6	288.22	4/1
Topix (4/1/68)		1578.05	1576.27	1582.05	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)		2219.74	2231.66	2243.28	2542.65	6/7	1873.33	4/1
Malaysia								
KLSE Comp.(4/4/86)		1122.33	1143.43	1133.72	1314.46	5/1	928.33	4/4

		Oct 7	Oct 6	Oct 5	1994 High		1994 Low	
Mexico								
IPC (Nov 1978)	(u)	2638.91	2641.39	2881.17	8/2		1957.33	20/4
Netherland								
CBS TtlRtnGen(End 83)		421.9	419.5	419.3	464.90	31/1	406.30	21/6
CBS All Shr (End 83)		265.0	263.5	263.4	294.80	31/1	257.90	21/6
New Zealand								
Cap. 40 (1/7/86)		1988.05	1998.16	2035.01	2428.64	3/2	1945.51	11/7
Norway								
Oslo SE(Ind)(2/1/83)		1031.33	1041.57	1040.48	1211.10	28/2	980.91	21/6
Philippines								
Manila Comp (2/1/85)		2997.16	2963.52†	2973.31	3308.37	4/1	2507.33	9/3
Portugal								
BTA (1977)		2876.7	2885.9	(c)	3226.60	18/2	2612.80	20/6
Singapore								
SES All-S'pore(2/4/75)		574.74	577.68	584.89	641.61	4/1	523.29	4/4
South Africa								
JSE Gold (28/9/78)		2356.0¥	2327.0	2367.0	2534.00	7/9	1749.00	14/2
JSE Indl. (28/9/78)		6261.0¥	6270.0	6271.0	6757.00	15/6	5446.00	19/1
South Korea								
KoreaCmpEx(4/1/80)**		1065.84	1069.93	1057.24	1069.93	6/10	855.37	2/4
Spain								
Madrid SE (30/12/85)		291.46	290.40	290.07	358.31	31/1	290.07	5/10
Sweden								
AffarsvarldnGen (1/3/37)		1375.30	1381.10	1384.20	1603.90	31/1	1334.70	6/7
Switzerland								
Swiss Bk Ind (31/12/58)		1174.81	1172.68	1171.96	1423.34	31/1	1157.97	18/7
SBC General (1/4/87)		892.39	889.35	888.07	1093.29	21/1	888.07	5/10
Taiwan								
WeightedPr.(30/6/66)**		6620.36	6653.32	6944.59	7191.13	6/10	5194.63	19/3
Thailand								
Bangkok SET (30/4/75)		1459.78	1481.50	1492.89	1753.73	4/1	1198.59	4/4
Turkey								
Istanbul Cmp.(Jan 1986)		27226.81	27522.3	26783.0	28883.89	13/1	12980.70	24/3
WORLD								
MS Capital Int (1/1/70)§		615.7*	615.9	617.1	644.00	2/9	591.80	4/4
CROSS-BORDER								
Eurotrack 100(26/10/90)		1287.99	1290.84	1298.48	1540.19	31/1	1288.48	5/10
Euro Top-100 (26/6/90)		1142.88	1140.36	1138.48	1311.01	2/2	1138.49	5/10
JCapelDrgns (31/12/88)	(u)	331.09	332.89	395.10	5/1		290.28	21/3
Barings Emerg.(7/1/92)		183.77	185.91	188.28	191.79	28/9	141.56	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Oct	1845.0	1867.0	+15.0	1871.0	1834.0	23,527	29,588
Nov	1853.0	1875.0	+15.0	1876.0	1845.0	85	871
Dec	1862.5	1884.0	+14.5	1886.0	1853.0	749	26,354

Open interest figures for previous day.

** Sat Oct 1 : Taiwan Weighted Price 7135.12; Korea Comp Ex 1054.23. Base values of all indices are 100 except Australia All Ordinary and Mining - 500, Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3, NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 7 - 1977.87 +12.28

US INDICES

Dow Jones	Oct 6	Oct 5	Oct 4	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3775.56	3787.34	3801.13	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	96.17	96.42	96.73	105.61 (21/1)	96.17 (6/10)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1438.50	1443.52	1459.22	1862.29 (2/2)	1438.50 (6/10)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	177.83	177.98	178.68	227.06 (3/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3810.89 (3811.59) Low 3752.01 (3736.20) (Theoretical♦) Day's high 3794.74 (3802.14) Low 3758.18 (3748.31) (Actual♦)

Standard and Poors	Oct 6	Oct 5	Oct 4	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	452.36	453.52	454.59	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¥	536.39	538.18	539.12	550.83 (15/9)	510.05 (21/4)	550.83 (15/9/94)	3.62 (21/6/32)
Financial	42.05	42.01†	42.16	45.84 (14/3)	41.38 (4/4)	48.40 (25/9/93)	8.64 (1/10/74)
NYSE Comp.	249.33	250.38	251.46	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.45 (25/4/42)
Amex Mkt Val	453.60	451.11	453.01	487.89 (2/2)	422.87 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	744.10	746.26	747.31	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Sep 30	Sep 23	Sep 16	Year ago
Dow Jones Ind. Div. Yield	2.76	2.76	2.69	2.85
	Oct 5	Sep 28	Sep 21	Year ago
S & P Ind. Div. yield	2.43	2.39	2.41	2.51
S & P Ind. P/E ratio	20.33	20.78	20.84	27.52

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	453.90	455.00	+1.10	456.30	452.30	66,898	217,439
Mar	456.70	458.15	+0.95	459.30	456.30	576	8,255
Jun	462.95	461.80	-	463.15	460.00	49	2,570

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Santa Fe	10,224,000	13½	+⅛
Gen Motors	3,828,400	43⅝	-1⅛
Motorola	3,254,700	49⅝	-⅜
Union Pac	2,906,500	50	-1⅞
Unisys	2,903,900	11¼	-¼
Huaneng	2,638,000	30	___
Micron	2,530,000	32⅝	-⅛
Healthtrust	2,516,300	33½	-⅜
Wal-Mart	2,440,300	22⅞	-⅛
Telefonos	2,433,600	59⅝	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Oct 6	Oct 5	Oct 4
New York SE	269.892	358.631	325.517
Amex	17.803	19.870	16.799
NASDAQ	247.930	329.021	302.993
NYSE			
Issues Traded	2,825	2,864	2,864
Rises	988	538	551
Falls	1,113	1755	1,715
Unchanged	724	571	598
New Highs	19	9	35
New Lows	141	254	127

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

WORLD STOCK MARKETS

AMERICA

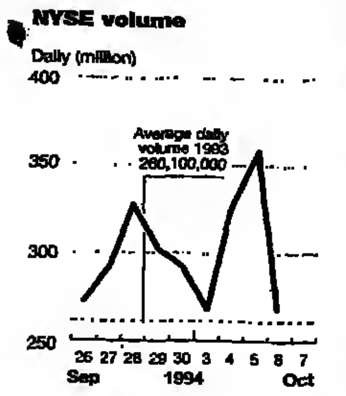
Oils climb as crude reacts to Iraq move

Wall Street

US stocks moved higher yesterday morning, with investors consoled that a crucial measure of economic strength came in below expectations, *writes Frank McCurty in New York.*

By 1pm, the Dow Jones Industrial Average was 13.45 better at 3,788.01, and the more broadly based Standard & Poor's 500 was up 1.62 at 454.02. The American SE composite added 0.94 at 454.54 while the Nasdaq composite outperformed the lot with a gain of 3.77 to 747.96.

NYSE volume



On the NYSE, advancing issues were slightly ahead of declines by early afternoon on moderate volume of 162m shares.

Amid a week of fretting in the financial markets, the Labor Department disclosed that fewer workers were hired in September than most economists had forecast. Non-farm payrolls grew by 239,000, against a consensus estimate of about 260,000.

Even though the August increase in payrolls was revised sharply higher, the tame headline figure allowed bond prices to stablise. The yield on the benchmark 30-year Treasury issue receded after touching the worrisome 8.00 per cent level just before the release of the jobs data.

But the relief was qualified, at best. The news seemed likely to avert an immediate move by the Federal Reserve to put up interest rates, but a tightening did not appear to be too far in future.

Stocks opened with decent gains, but second guessing among investors quickly pulled the leading indices into negative territory. Towards midday, share prices headed higher for a second time, powered by across-the-board gains in oil-related stocks.

The sector's improvement had nothing to do with the economy or monetary policy. With reports of Iraqi troop movements near the Kuwait border and a subsequent upturn in crude prices, Texaco gained $1⅝ to $61⅝, Chevron $1¼ to $42½ and Exxon $1¼ to $58⅝.

IBM was also contributed the Dow's advance. The stock added $1⅝ to $70½ on reports that the computer maker had sold out its new Aptiva line through the end of the year.

But that gain was offset by International Paper, which shed a further $1¼ to $75¼. The issue was down from $79¼ at the beginning of the week amid concern over the impact of another Fed move.

Shares in Unisys continued to recede after jumping about 10 per cent earlier in the week on reports that it was interested in finding a buyer for its defence business. The stock was off $¼ at $11¼.

On the Nasdaq, Broderbund Software surged $5¼ to $57⅞. Oppenheimer lifted its rating on the issue after the company posted a 51 per cent increase in earnings for its fiscal fourth quarter.

Canada

Toronto overcame early weakness to trade mixed at midday, as some dealers expressed surprise at the strength in New York equities. The TSE 300 composite index was 4.61 lower at 4,271.71 by noon in volume of 27.9m shares.

Of the 14 sub indices, eight were stronger but a 1.1 per cent fall in the industrial products group overpowered the rising transportation and merchandising groups.

Potash Corp of Saskatchewan fell C$3⅝ to C$48⅞.

Brazil down on strong real

São Paulo stocks dropped 6.5 per cent in a heavy morning sell-off, on analysts' concern that a steady rise of Brazil's new currency, the real, against the dollar could force the Central Bank to adopt restrictive measures against the influx of foreign funds into the country.

A local news agency report quoted an unnamed source close to Brazil's economic team as saying the government had no alternative to contain the real's rise except to restrict the inflow of foreign funds.

However, the Bovespa index had recovered half of its early fall by 1300 local time to stand 1,567, or 3.1 per cent lower at 48,227. Brokers said that rumours that some banks and brokerage houses were facing financial difficulties had also weighed on prices and that heavy speculation ahead of the futures and options markets settlements on October 13 and 17 had also contributed to the day's weakness.

S Africa golds recover

South African gold shares snapped a four-day losing streak as bullion showed early signs of recovery, but a late dip in the metal pulled them off their highs.

The gold index finished 29 points better at 2,356 after an earlier rise to 2,377. Industrials obed 9 to 6,261, dealers saying that investors had avoided the market in spite of an early rise on Wall Street; the overall index was 3 better at 5,597.

Traders said gold shares had bounced in reaction to recent losses, but had also found renewed support from speculators looking for a commercial rand decline if the financial rand is abolished.

De Beers ended 50 cents better at R101 after an initial rise to R102. Anglos shed R1 to R233 and JCI added R1.50 to R106. Gencor rose 15 cents to R14.75. Pick'n Pay continued under pressure, losing 10 cents to R9.50.

EUROPE

Apprehension ahead of US data turns to relief

The story of the week and of this year, apprehension ahead of US economic data, turned to relief yesterday, *writes Our Markets Staff.*

US payrolls growth came in below expectations. Reports that Iraqi troops were moving towards Kuwait put an dampener on bourse proceedings early in the afternoon but, later, lifted crude prices, and some of the oil majors in Europe.

FRANKFURT ended slightly lower on the session, registering a new 1994 official closing low for the third day in a row. The Dax index fell 0.44 to 1,960.59, 2.5 per cent down on the week in turnover up from DM6.4bn to DM6.6bn.

After hours the picture improved, the Ibis-indicated Dax moving 12.26 higher to 1,977.67 over 24 hours. Stars of the day included shares recently depressed, like the inter-related Deutsche Bank and Metallgesellschaft, which recovered DM21.30 to DM696.20, and DM11 to DM139 respectively.

Analysts attributed the Deutsche Bank gain to restructuring measures, aimed at helping the bank gain a better market position. Metallgesellschaft said yesterday that its bank debts shrank to DM4.1bn by the end of 1993-1994 from DM7.6bn a year earlier.

FT-SE Actuaries Share Indices

Oct 7 — THE EUROPEAN SERIES

Hourly changes	Open	11.00	11.30	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1285.27	1284.78	1283.92	1282.49	1282.63	1285.48	1288.33	1287.99
FT-SE Eurotrack 200	1340.84	1341.42	1340.43	1339.11	1340.81	1346.01	1348.38	1344.02

	Oct 6	Oct 5	Oct 4	Oct 3	Sep 30
FT-SE Eurotrack 100	1280.84	1286.48	1312.97	1309.82	1318.93
FT-SE Eurotrack 200	1345.42	1335.96	1360.61	1357.86	1359.89

Base 1000 (26/10/90). High/day: 100 - 1290.06 200 - 1348.16 Low/day: 100 - 1281.53 200 - 1332.92 † Partial

Schering, moved recently by prospects for its BetaSeron multiple sclerosis drug, fell DM25 to DM895, maintaining its weakness throughout the day. Analysts said that the shares reacted to news that Biogen, the US biotechnology company, would be producing data on its own ms drug in San Francisco on Monday.

PARIS was looking at yet another new 1994 low at one stage in the day as the CAC 40 index fell to 1,825.36, but it posted a technical rebound to close 13.00 higher at 1,856.38, 1.2 per cent lower on the week, in turnover of FFr2.83bn.

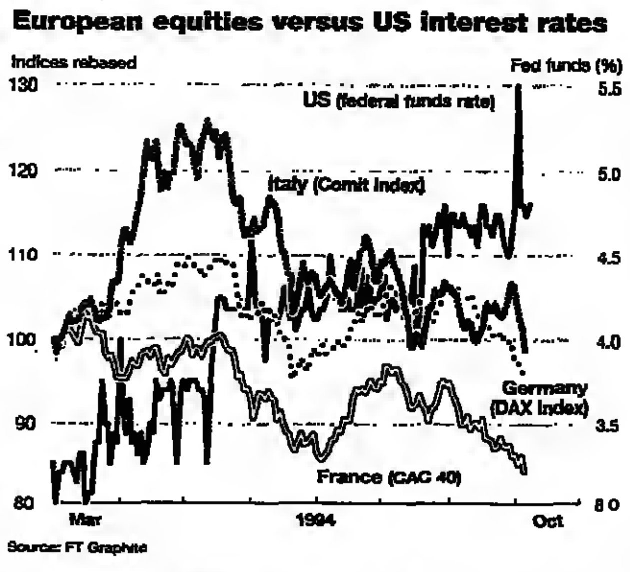
Oils moved with the Kuwait news and crude prices, Elf Aquitaine rising FFr7.50 to FFr373.30, and Total by FFr7.90 to FFr314. The water companies, Générale des Eaux and Lyonnaise des Eaux, put on FFr13.90 at FFr481.90 and FFr9.90 to FFr488.40 as the political bears ended hostilities for the time being.

However, the scandal-tainted stocks did not all have a good day. Schneider, which has been at odds with the Belgian authorities, fell FFr8.10 to FFr371.90 on apparently good half year figures, after rising FFr6.60 in advance of them on Thursday.

MILAN resumed its slide, losing 2.2 per cent, as the conflict between the government and the judiciary deepened. The real time Mibtel index fell 222 to 10,094 with news of a search by fiscal police on the offices of Mr Silvio Berlusconi's Fininvest group providing the day's installment of drama. The index lost 6.9 per cent over the week.

One Milan dealer commented that the market was trading in conditions of "huge political confusion". He added that mutual funds data earlier in the week indicated that equity funds already had near-record portfolios and were unwilling to commit fresh cash while all but the most speculative of foreign investors were keeping a low profile.

European equities versus US interest rates



Source: FT Graphite

Ferruzzi fell L64 or 4.4 per cent to L1380, after a low of L1,350, and Montedison was L34 or 2.7 per cent down at L1,213, after a low of L1,138. The declines followed rumours, denied by the companies, of forthcoming capital increases.

ZURICH finished higher in the wake of the US data, and the SMI index rose 12.1 to 2,496.9, but was down 1.5 per cent on the week.

Investors turned the spotlight on insurers on the perception that after developments at Swiss Re, more of the smaller companies could become takeover targets. Swiss Re added SFr11 to SFr699. Baloise rose SFr50 to SFr2,645 and Berner, in which Germany's Allianz has a 30 per cent stake, rose SFr150 or 12.2 per cent to SFr1,380.

AMSTERDAM recovered from early weakness ahead of US employment data, helped by the bond market's subsequent recovery and Wall Street's firmer opening. The AEX index closed up 2.09 at 392.87, but still 2.3 per cent lower on the week.

Royal Dutch Petroleum was Fl 2.30 at Fl 187.50 as oil prices rose on the Kuwait reports.

Some cyclical issues moved higher in a technical correction after recent falls, but chemicals were weak.

Hoogovens rose Fl 1.80 to Fl 74.10 but Akzo Nobel closed down 70 cents at Fl 196.10 and DSM was 60 cents lower at Fl 137.10.

HELSINKI, closing early, was hit by sharp falls in the telecoms-based conglomerate, Nokia, and in forestry shares, the Hex index closing 39.7, or 2.1 per cent lower at 1,831.8, 3 per cent down on the week. Nokia dropped FM14 to FM525.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Deng health reports put Shanghai on switchback ride

Tokyo

Share prices gained ground thanks to small lot buying by overseas investors and improved confidence on the fall in the yen against the dollar, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index rose 89.52 to 19,744.75, up 0.9 per cent on the week. The index opened at the day's low of 19,689.84 and rose to a high of 19,753.65 in the afternoon session.

The dollar's recovery to a one-month high triggered buying of export oriented stocks, which led other shares.

Volume totaled 226m shares against 202m. Most investors were absent from trading ahead of the three day weekend.

The Topix index of all first section stocks added 1.78 to 1,578.05 and the Nikkei 300 advanced 0.31 to 289.11. Gainers outnumbered declines 496 to 428, with 232 issues remaining unchanged.

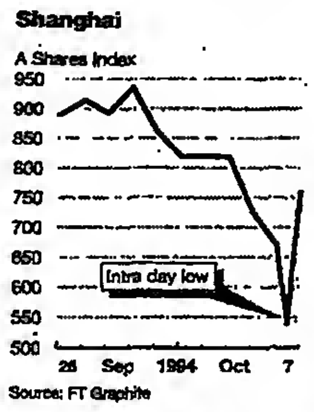
In London, the ISE/Nikkei 50 index closed 3.32 down at 1,306.56.

Traders said that sentiment was supported by a rush of subscribers to Matsushita Electric Industrial's Y200bn convertible bond issue. Many market participants had initially feared that the large lot offering would take funds out of the equity market but favourable terms, including the coupon and low conversion price, helped attract investors.

Reports that the Ministry of Finance will not release Japan Tobacco which have not been subscribed for, in conjunction with the stock listing on October 27, also cheered investors. Although the ministry denied that a formal decision had been made, the news helped dissipate some pessimism over the flotation.

However Japan Telecom, which is closely followed by investors looking to buy Japan Tobacco shares, declined Y90,000 to Y3.92m. DDI, another telecom operator followed suit, losing Y13,000 to Y865,000. Nippon Telegraph and Telephone shed Y6,000 to Y865,000 and East Japan Railway lost Y2,000 to Y475,000.

Shanghai



Source: FT Graphite

High-technology stocks, on the other hand, were higher on the weaker yen. Hitachi, the most active issue of the day, rose Y17 to Y990 and Mitsubishi Electric added Y17 to Y722.

Steel companies fell on profit taking. Nippon Steel fell Y2 to Y379 and NKK declined Y6 to Y281.

In Osaka, the OSE average rose 18.02 to 22,008.11 in volume of 11.7m shares. Nintendo, the video game maker, rose Y50 to Y5,400 on the easier yen.

Roundup

Rumours concerning the health of China's leader and unconfirmed reports of Iraqi troop movements made for a volatile day's trading in parts of the Pacific Rim.

SHANGHAI's A share index took a switchback ride, plunging almost 18.0 per cent in the early afternoon on rumours that China's leader, Deng Xiaoping, was ill, before picking up to close 12.4 per cent higher as the rumours subsided.

The index finished up 83.32 to 735.86, off an intra-day low of 544.00 and a high of 781.27 minutes before the close. Rumours about Deng's health were one of the the main factors behind a 28.5 per cent fall over the the previous four trading days.

The volatility of the day's trade prompted allegations of institutional manipulation of the market while the late surge was said to have been assisted by unconfirmed stories that China would allow pension funds to enter the A market.

HONG KONG reversed steep morning losses at the finish, inspired by the Shanghai bourse's sharp rebound.

The Hang Seng index closed 8.63 higher at 9,284.88, having picked up from a day's low of 9,194.40. The market was 2.5 per cent down over the week.

Investors continued to await US September jobs data and the response to sales of Cheung Kong's Bayshore Towers flats, which were priced below expectations.

KUALA LUMPUR was 1.9 per cent lower after an Iraqi opposition group said in London that Iraq was mobilising elite troops towards Kuwait.

An Iraqi embassy official in Brussels subsequently denied the allegations, but by then the damage has been done.

The composite index fell 21.10 to 1,122.33, erasing the 18 point advance of the previous two sessions and leaving the index 0.6 per cent per cent higher over the week.

SINGAPORE was also lower in choppy dealings in a late reaction to the reports about Iraqi troops movements.

The Straits Times Industrials index lost 3.22 to 2,330.09, little changed on the week, with profit-taking ahead of the US jobs data also contributing to the slide.

TAIPEI ended a volatile day slightly lower, but brokers said the effects of the share payment default that had dragged the market down by 7 per cent over the previous two days had almost come to an end.

The weighted index finished 32.96 lower at 6,620.36, 6.6 per cent down on the week, in active turnover of T$70.8bn.

Hualon-related stocks remained weak. Hualon Corp and Chia Hsin Live both fell by the daily 7 per cent limit to T$21.3 and T$22.7 respectively.

BANGKOK closed lower but off the day's low on late buying of bank issues, the SET index ending 21.72 lower at 1,459.78, down 1.7 per cent on the week in turnover of Bt6.96bn.

SYDNEY eased further on interest rate fears, the All Ordinaries index losing 8.8 at 1,967.5, off 3 per cent on the week.

WELLINGTON registered its fifth loss in five days, Fletcher Challenge leading the way down as the NZSE-40 index fell 10.11 to 1,988.05, 3.8 per cent lower on the week, in turnover of NZ$62.6m.

SEOUL swung to a lower close on late afternoon institutional selling, the composite index finishing 4.09 down at 1,065.84, 1.5 per cent up on the week, after a morning high of 1,081.14.

BOMBAY, spurred by active speculative buying in moderate volume trade at the beginning of the new account, saw the BSE index close 70.21 points higher at 4,449.70, 3.9 per cent better over the week.

MANILA enjoyed lower September inflation, a new wave of IPOs and strong foreign participation, and the composite index rose 19.67 to 2,997.16, up 3.1 per cent on the week.

JAKARTA gained 3.4 per cent on the week as the official index closed another upbeat day, 3.59 higher at 515.05

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY OCTOBER 6 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY OCTOBER 5 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	166.40	0.0	155.35	104.92	133.61	149.58	-0.1	3.71	166.42	156.44	104.64	133.47	149.66	189.15	149.34	149.34
Austria (16)	180.34	-0.2	168.37	113.71	144.80	144.75	-0.1	1.11	180.65	168.73	113.59	144.88	144.81	195.88	167.48	174.51
Belgium (37)	161.66	-0.4	150.92	101.93	129.80	126.73	-0.3	4.35	162.32	151.61	102.06	130.18	127.07	177.04	149.33	150.04
Canada (103)	135.75	0.9	126.73	85.59	108.99	132.53	0.9	2.53	134.50	125.63	84.57	107.87	131.29	145.31	120.54	123.97
Denmark (33)	243.49	0.1	227.31	153.53	195.50	200.24	0.1	1.48	243.37	227.31	153.02	195.17	200.13	275.79	230.27	233.75
Finland (24)	179.96	-0.9	168.01	113.47	144.48	180.22	-1.4	0.78	181.57	169.59	114.18	145.61	182.71	182.38	115.91	115.91
France (101)	162.45	0.3	151.66	102.43	130.44	134.51	0.4	3.22	162.04	151.35	101.98	129.95	134.00	185.37	158.34	172.17
Germany (58)	134.99	-0.4	126.03	85.12	108.39	108.39	-0.3	1.90	135.59	126.64	85.25	108.74	108.74	150.40	128.37	132.40
Hong Kong (56)	381.22	-0.5	355.90	240.37	306.09	378.21	-0.5	3.22	383.02	357.75	240.83	307.18	380.00	506.56	317.38	317.51
Ireland (14)	200.81	-0.1	187.48	126.62	161.24	180.47	0.0	3.55	201.12	187.85	126.46	161.30	180.54	216.60	171.40	173.99
Italy (59)	79.59	0.6	74.30	50.18	63.91	93.05	0.5	1.66	79.12	73.90	49.75	63.46	92.60	97.78	57.88	74.05
Japan (468)	158.61	-0.6	148.08	100.01	127.35	100.01	-0.3	0.77	159.60	149.08	100.35	128.00	100.35	170.10	124.54	155.71
Malaysia (97)	567.20	0.7	529.53	357.64	455.43	558.60	0.6	1.50	563.33	526.17	354.21	451.79	556.39	621.63	427.26	427.26
Mexico (18)	2192.30	-1.1	2046.68	1382.01	1760.22	8186.76	-1.0	1.25	2217.41	2071.11	1394.22	1778.31	8268.41	2647.06	1674.01	1678.87
Netherland (19)	205.92	-0.1	192.25	129.84	165.34	162.51	0.0	3.55	206.11	192.51	129.59	165.30	162.53	218.19	187.01	189.97
New Zealand (14)	70.42	-1.8	65.74	44.40	56.54	81.84	-1.9	3.93	71.58	66.86	45.01	57.41	63.00	77.59	59.22	61.00
Norway (23)	196.62	0.1	183.56	123.97	157.87	179.50	0.1	1.84	196.50	183.53	123.55	157.59	179.41	211.74	165.92	178.79
Singapore (44)	384.43	-2.2	358.90	242.40	308.67	262.21	-1.9	1.61	393.12	367.18	247.18	315.28	266.99	393.12	294.66	310.29
South Africa (59)	312.71	0.3	291.94	197.17	251.08	286.04	-0.5	2.24	311.80	291.33	196.11	250.14	287.69	314.24	202.72	205.59
Spain (36)	136.03	0.1	127.00	85.77	109.22	131.96	0.2	4.20	135.83	126.87	85.40	108.93	131.53	155.79	128.89	139.23
Sweden (47)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (47)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (204)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
USA (515)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EUROPE (709)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (116)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (747)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euro-Pacific (1456)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (618)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (505)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (279)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1636)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (1947)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. So. Af. (2092)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1683)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2151)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Latest prices were unavailable for this edition.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Domecq	540	32	-	-	3	-	-
(*566)	580	5	-	-	27	-	-
Argyll	260	11	19	20½	5½	18	19½
(*264)	280	3½	10½	17½	10	27½	31½
ASDA	60	3½	8½	8	2½	5	6
(*61)	70	1	2½	4	10	11½	12
Brit Airways	360	12½	24½	34½	0	20	25½
(*360)	390	2½	13	22	31	39½	43½
SmKl Bchm A	390	30½	41½	49	2½	11½	17½
(*415)	420	8½	22½	31½	13	24	31½
Boots	460	43	49	61	1½	8	14½
(*488)	500	11	24½	36	11½	22½	31½
BP	390	29½	38½	47½	2	9	14½
(*415)	420	7	20	30½	12	22	28
British Steel	160	8½	14½	15½	3	8	10½
(*165)	180	1½	6	11	18½	19½	22
Bass	500	33	42	47½	3½	17½	23½
(*525)	550	6	15	23½	30	47	52½
Cable & Wire	390	13½	28	39	9½	23½	29½
(*390)	420	3½	18½	28½	32½	41½	47
Courtaulds	420	38½	46½	58½	1½	10½	15
(*453)	460	8	22½	33	14½	27½	32½
Comm Union	483	30½	45½	62	3	12½	23
(*516)	543	5½	19	28½	31	37½	51
ICI	800	21	47½	62½	14	31	46½
(*803)	850	3½	24	38½	50	61	78
Kingfisher	460	31	47	58	4½	14	22
(*484)	500	6	22½	39	22	32½	41
Land Secur	600	14	27½	36	8½	21	25½
(*603)	650	1½	8	17½	48½	55	58
Marks & S	390	19	28½	38	3½	11½	15½
(*404)	420	4	14	23	10	27	31
NatWest	460	28½	43½	53	3½	13½	25½
(*481)	500	8½	21½	32	23	32	47
Sainsbury	390	18	28½	40½	7	21½	26½
(*398)	420	3	14½	25	27½	38	40
Shell Trans.	700	13½	38	44½	11½	23	35
(*700)	750	1½	12½	22	52	55½	66½
Storehouse	200	7½	14½	10	4	8½	15
(*202)	220	1½	8½	10½	19½	23	27
Trafalgar	70	11½	13	15	1	3	4
(*79)	80	3	6½	8	4	7	8
Unilever	1050	55	73½	81½	3½	20½	35½
(*1094)	1100	17	44	61½	20½	42½	59
Zeneca	800	27	52	56	9½	25	41
(*814)	850	5½	28	40½	40½	53	59½
Option		**Nov**	**Feb**	**May**	**Nov**	**Feb**	**May**
Grand Met	390	26	36	42	6	19	22½
(*402)	420	10½	18½	27½	23½	36	38½
Ladbroke	140	18½	24½	23	2½	5½	8½
(*153)	160	8½	13	18	11½	14½	19
Utd Biscuits	300	14	24½	28	10½	14	23½
(*308)	330	4	12	15½	22	34	43
Option		**Dec**	**Mar**	**Jun**	**Dec**	**Mar**	**Jun**
Fisons	100	14	18½	16	4	6	7½
(*109)	110	5	11½	14	6½	11	12½
Option		**Nov**	**Feb**	**May**	**Nov**	**Feb**	**May**
Brit Aero	420	46	62	68½	8½	16½	25
(*454)	460	20	38½	47	25½	34	44½
BAT Inds	420	23	37	43½	11	18	29
(*429)	460	8½	18½	24½	35	42½	53½
BTR	300	14½	24½	29	8½	14½	20½
(*303)	330	3½	11½	15½	28½	32½	39
Brit Telecom	360	27	31½	38	4	11	14½
(*380)	390	0	16	23	16½	26	38
Cadbury Sch	420	30	41	46½	5½	11	19
(*441)	460	8	19½	25½	26½	30½	40
Eastern Elec	750	40½	60	77	24	40	49
(*761)	800	10	37½	53½	53	67½	77
Guinness	420	38½	46½	55	4½	9	16
(*448)	460	12	24	31	21	26½	35
GEC	280	14½	20	26	6	11½	14½
(*286)	300	5	11	16½	18	23	25

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Hanson	220	14	17½	21	4½	0½	12½
(*227)	240	4	8	12½	16	21	23½
Lasmo	134	20½	[illegible]	[illegible]	[illegible]	-	-
(*151)	154	8	[illegible]	[illegible]	[illegible]	-	-
Lucas Inds	160	20	[illegible]	[illegible]	[illegible]	7	10
(*177)	180	7	[illegible]	[illegible]	[illegible]	17½	21
P & O	550	58½	[illegible]	[illegible]	[illegible]	12	24
(*597)	600	23½	[illegible]	[illegible]	[illegible]	38	40½
Pilkington	180	11½	15	20½	5½	10½	13
(*184)	200	3½	7	11½	19	23½	25½
Prudential	280	25½	34	36	3½	7½	13½
(*298)	300	12	22½	24½	11½	16	23½
RTZ	850	43	64½	76	16	29	46
(*871)	900	17½	38½	51	43½	55½	12
Redland	460	22	30	45½	13½	21½	35
(*475)	500	7	19	27½	38	44	60½
Royal Insce	280	16½	26½	32½	11	17½	23½
(*283)	300	6	17	23½	23½	28	34½
Tesco	220	22½	28	38½	3½	6½	11
(*236)	240	8½	16	21½	11½	16	20½
Vodafone	183	18½	23	-	4	6	-
(*199)	200	8½	14½	20	11½	19	10
Williams	325	15	-	-	6	-	-
(*329)	354	4	-	-	27½	-	-
Option		**Oct**	**Jan**	**Apr**	**Oct**	**Jan**	**Apr**
BAA	450	25½	38	46½	2½	9½	13½
(*473)	475	10	21	31	11	21	25
Thames Wtr	500	15	28	39	6	25	29½
(*506)	550	2	10	18	48	59	61½
Option		**Dec**	**Mar**	**Jun**	**Dec**	**Mar**	**Jun**
Abbey Natl	390	22	31	35½	15½	27½	32
(*391)	420	8	18½	28	35½	46½	50½
Amstrad	23	3½	4	5½	2½	3½	4
(*26)	30	1½	2½	3½	0	7	7½
Barclays	500	55	66½	71½	7	17	22
(*541)	550	24½	38½	43½	26	39½	45½
Blue Circle	260	25½	32	38	7½	11	19½
(*274)	280	13½	21	27½	16	20½	38
British Gas	280	17½	24½	28½	10	15	20
(*291)	300	8½	15	19½	22½	25½	31½
Dixons	180	14½	18½	24	11	15½	18½
(*181)	200	5½	10½	15½	23½	28	31
Hillsdown	160	18	22½	25½	3½	7	11
(*173)	180	7	12	15	13½	19	22
Lonrho	140	10½	13½	17	8	11½	13½
(*140)	160	3½	6	9	22	25	28
Natl Power	460	31	43½	53½	19	23½	31½
(*473)	500	13	25	35	38½	44½	53
Scot Power	330	32	38½	46½	11½	17½	21½
(*344)	360	17	24½	32	28	33½	37
Sears	100	7	9	11½	4½	7	9½
(*101)	110	3½	5½	8½	12	13½	19
Forte	220	14½	21	25½	9	13½	18½
(*225)	240	6	12	16½	22	25½	30½
Tarmac	120	11½	17	19½	7½	11	14
(*122)	130	7	12	15	14	18	19½
Thorn EMI	950	66½	79½	101	17½	33½	40½
(*986)	1000	38	52½	73	38½	56½	64½
TSB	200	22	25½	29	5	8½	12½
(*214)	220	18½	14	16	13½	20½	23½
Tomkins	200	18½	24	28½	7	10½	13
(*208)	220	9	14	15½	16½	21½	24
Wellcome	650	46½	71½	84	25	38½	51
(*667)	700	25½	47½	59½	53	65	77
Option		**Oct**	**Jan**	**Apr**	**Oct**	**Jan**	**Apr**
Glaxo	550	33½	54	67	5½	19½	34
(*574)	600	7	28	43	31½	46	60
HSBC 75p shs	650	43	69	81	8	23	43
(*683)	700	13	41½	54½	28½	47½	69½
Reuters	438	17½	-	-	8½	-	-
(*447)	450	10½	-	-	13	-	-
Option		**Nov**	**Feb**	**May**	**Nov**	**Feb**	**May**
Rolls-Royce	160	20	25	28	2½	6	9
(*175)	180	6	13½	17	10½	14½	18½

* Underlying security price. Premiums shown are based on closing offer prices.
October 7. Total contracts: 27,674 Calls: 10,087 Puts: 17,587

RISES AND FALLS

	On Friday: Rises	Falls	Same	On the week: Rises	Falls	Same
British Funds	61	4	6	156	144	51
Other Fixed Interest	1	0	13	8	0	66
Mineral Extraction	32	77	67	163	400	417
General Manufacturers	104	154	380	418	1,052	1,728
Consumer Goods	28	51	108	155	282	498
Services	71	112	012	298	783	1,402
Utilities	23	12	10	78	102	45
Financials	68	118	179	268	740	821
Investment Trusts	62	105	298	238	792	1,295
Others	32	41	34	110	275	125
Totals	482	674	1,427	1,892	4,570	6,448

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	September 26	Expiry	December 29
Last Dealings	October 7	Settlement	January 13

Calls: Blackwood Hodge, Brit Thornton, CRP Leisure, Conrad, Rodime, Safeland. Puts & Calls: Glaxo, HSBC, Rodime, Tullow Oil.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§125	F.P.	17.2	130	113	Compel	113	-3	WN4.0	2.1	4.4	10.0
-	F.P.	1.30	1½	1	Cont'l Foods Wrts	1¼		-	-	-	-
180	F.P.	442.0	181	170	ED & F Man	172		RN8.6	1.6	6.2	9.5
-	F.P.	24.8	66	01	Emerging Mkts C	62	-1	-	-	-	-
63	F.P.	12.2	68	63	Ennemix	67		RN0.71	5.3	1.3	8.4
115	F.P.	37.8	121	115	Games Workshop	121	+3	RN4.6	2.2	4.6	11.4
-	F.P.	30.0	60	80	Hambros Sm Asian	80		-	-	-	-
-	F.P.	2.90	29	28	Do Warrants	29		-	-	-	-
112	F.P.	21.4	120	119	Independent Parts	120		LN4.0	2.1	4.2	14.5
180	F.P.	17.4	195	160	Mackie Intl	181		RN6.0	2.2	4.1	7.4
80	F.P.	23.3	86	76	Ryland	82		LN3.5	1.7	5.3	13.5
-	F.P.	112.0	379	362	Templeton E New	362	-1	-	-	-	-
-	F.P.	11.8	212	190	Do. Wrts. 2004	191		-	-	-	-
-	F.P.	28.3	360	340	Wrexham Water	340		-	-	-	-
-	F.P.	4.81	330	325	Do. NV	325		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
160	Nil	17/10	9pm	2pm	Jermyn Inv.	2pm	
500	Nil	18/10	52pm	24pm	Reckitt & Colman	25pm	-1
245	Nil	8/11	24pm	10pm	Unichem	11pm	
75	Nil	14/11	5pm	3pm	World of Leather	3pm	

FINANCIAL TIMES EQUITY INDICES

	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Yr ago	*High	*Low
Ordinary Share	2310.4	2306.1	2286.8	2325.8	2320.3	2359.1	2713.6	2240.6
Ord. div. yield	4.45	4.46	4.51	4.42	4.43	3.95	4.51	3.43
Earn. yld. % full	6.43	6.45	6.51	6.39	6.40	4.64	6.51	3.82
P/E ratio net	17.63	17.59	17.15	17.49	17.46	27.51	33.43	16.94
P/E ratio nil	17.43	17.38	17.21	17.53	17.50	26.36	30.80	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2299.0	2294.1	2298.8	2299.0	2297.3	2299.5	2305.1	2304.3	2307.7	2310.8	2293.5

	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Yr ago
SEAQ bargains	20,374	20,425	21,055	22,679	23,301	29,311
Equity turnover (£m)†	-	1202.9	1406.1	1066.2	1138.9	1030.7
Equity bargains†	-	23,637	24,816	25,427	25,436	34,018
Shares traded (ml)†	-	595.2	813.8	414.4	485.2	415.9

†Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

	Oct 6	% chg on day	Oct 5	Oct 4	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	2247.50	+0.7	2232.40	2259.14	1770.26	1.91	2567.40	1762.02
Regional Indices								
Africa (16)	3480.25	-0.8	3510.36	3553.49	2354.07	3.91	3623.26	2304.45
Australasia (7)	2808.16	-0.5	2821.36	2869.36	2019.22	1.73	3013.69	2019.22
North America (11)	1797.72	+1.7	1767.10	1785.84	1585.89	0.75	2039.55	1468.11

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Oct 7: 281.8 ; day's change: +0.2 points; Year ago: 203.7 † Partial. Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	219⅞	+⅛	£25⅛	£19⅞	5,972	0.6	ф
ANZ A$		180	—	278¼	179¾	2,395	5.2	27.7
Abbey National	†N□	392xd	+7	523	380½	5,143	5.0	13.2
Allied Irish I£	♣†N□	238xd	+1	314	233	1,573	5.3	9.1
Anglo Irish I£	MN□	55	—	*70	55	168.3	7.8	10.0
Asahi Y	□	716½	-3	919¾	639	16,488	8.0	ф
Banco Bil Viz Pta	□	215¼	-½	£16⅞	£14½	3,622	5.4	6.9
Banco Sant Pta		£28½	-½	*£30½	£23¾	4,280	5.1	6.8
Bk Ireland I£	♣□	263	—	*318	246	1,243	6.0	7.6
Bank Scotland	♣†N□	194	+1	247	172½	2,254	3.5	15.7
9¼pc Pf		111¼	+¼	141½	111	111.6	10.3	–
9¾pc Pf		117	+¼	148½	116	117.8	18.4	–
Barclays	♣†N□	542xd	-8	640	487	8,823	3.8	10.4
Dai Ichi Kan Y	□	£11⅞	-⅞	212⅞	£10⅞	35,235	6.5	–
Deutsche DM	□	£279⅞	+8⅞	£344¼	£270⅞	13,310	2.4	–
Espirito Santo	□	£9⅞	—	*£13⅞	£9⅞	164.9	4.4	4.4
First Nat Fin	N□	69	-½	*90	60	118.8	2.7	–
6.3pc Cv Pf		73	—	*90	73	4.91	10.6	–
7pc Cv Pf		131	—	131	123	62.2	6.7	–
Fuji Bank Y	□	1380¼	-8¼	1549¼	1152½	39,981	0.4	ф
HSBC HK	†N□	704xd	+7	1133	680	12,320	4.4	10.2
HSBC (75p Shs)	†N□	683xd	+7	1113	660	5,872	4.5	8.9
Lloyds	†N□	538xd	-4	660	519	6,967	5.3	10.6
Mitsubishi Y	□	£15⅞	-⅞	£19⅞	£15⅞	45,525	5.0	ф
Mits 1st & Bk Y	□	922¼	-18½	1162¼	687½	11,060	0.5	14.8
Mitsui Tst & Bk Y	□	729¼	+10	879	514	8,738	0.7	24.9
Nat Aust A$	†	477	—	620¼	477	6,385	5.7	10.2
NatWest	†N□	482xd	+4	622	421	8,025	5.0	9.6
Ottomane FFr		£22	-⅛	£33	£21¼	110.0	6.8	ф
Ryl Bk Scotland	♣†N□	397	—	520	377½	3,180	3.8	17.9
Sakura Y	□	£8⅛	-⅞	£9⅞	£8⅛	35,775	0.7	50.5
Sanwa Y	□	£12¼	-⅛	£15⅛	£11⅞	38,938	6.4	–

CHEMICALS

BREWERIES

DISTRIBUTORS

BUILDING & CONSTRUCTION

DIVERSIFIED INDUSTRIALS

BUILDING MATS. & MERCHANTS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

Toronto-Dom	9[illegible]	[illegible]	11[illegible]	9[illegible]
Trans Can Pipe	8[illegible]	[illegible]	10[illegible]	7[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29½	+¼	£30	£13½	1,923	2.5	21.6
Barlow	z	841½	—	851½	£3½	866.4	6.7	—
Gold Flds Prop R		118xa	—	128	75	12.1	7.8	ϕ
NK Props	z	85	+5	95	85	3.82	12.4	ϕ
SASOL	♥	496	—	500	280	2,820	2.8	—
SA Brews		£11⅞	—	£15½	£10	3,289	2.5	19.4
Tiger Oats	†	813	—	838	530	921.8	2.6	12.9
Tongaat-Hulett	n	602	—	*618½	356¼	548.7	2.1	10.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ⁂ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
x Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94
N Figures based on MR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
1 Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FINANCIAL TIMES
Weekend October 8/October 9 1994

Rover workers get 10% pay rise over two years

By David Goodhart, Labour Editor

The Rover Group has signalled an upward turn in British pay deals with a two-year award of about 10 per cent for most of its 33,000 employees.

Average settlements in the engineering industry are still running at about the rate of inflation, currently 2.4 per cent. But the Rover deal could exacerbate pay pressures as inflation is expected to increase gently over the coming year and unemployment continues to fall.

Mr Alistair Hatchett, of the independent pay analyst Incomes Data Services, said: "This could be a weather-vane settlement for the private sector and will be taken as a benchmark in the West Midlands."

The pay agreement – the first since the company was taken over by the German car group BMW earlier this year – is a reflection of Rover's recent success and follows a pay freeze in the first six months of 1993. But the deal will not make it popular with other car companies, such as Jaguar, which begin negotiations this weekend.

The exact size of the rise is disputed. The company says that everyone will receive a 3.7 per cent rise from next month and a further 4 per cent, or the rate of inflation if it is higher, from November 1995.

It also says that some workers will get extra payments for accepting a grading change. Following Rover's "new deal" agreed with the unions in 1992, the company has been phasing out demarcation lines and distinctions between blue and white-collar workers.

The latest move involves merging five manual grades and six staff grades into three joint grades. The unions say that most employees will get an extra payment of about £5 a week in the first year and another £1.86 a week in the second for accepting the change.

Mr Tony Woodley, the national motor industry secretary of the TGWU general union, said: "That means that almost all workers will be getting between 9.2 and 11.1 per cent over the two years, with most getting 10.7 per cent."

Mr Woodley said he would recommend the deal for acceptance in a ballot of union members.

He also said that he would be informing his German union colleagues. I G Metall, the motor industry union, puts in its claim for this year's engineering industry pay round next week.

But I G Metall in Frankfurt said last night: "Rover may now be a German company but circumstances are still very different in the two countries."

Rover counts the benefits, Page 6

Japan supports South Korean minister as world trade chief

By William Dawkins in Tokyo

The diplomatic contest for top job at the new World Trade Organisation intensified yesterday, after Japan decided to back Mr Kim Chul-su, South Korea's trade minister.

Japan's initiative will complicate the search for consensus between the 123 members of the General Agreement on Tariffs and Trade, which is due to be replaced by the more powerful new body in January.

Until yesterday, Mr Kim was an outsider, backed by Australia and some Asian countries. The endorsement by the world's second-largest economy now gives him the clout to rival the two front-runners. They are Mr Carlos Salinas, former president of Mexico, who is expected to receive US support; and Mr Renato Ruggiero, a former Italian trade minister backed by the European Union.

Japan's move means the choice of a WTO head, crucial to the organisation's success, now rests on negotiations between the world's three main economic blocs, the US, Europe and Asia. Governments aim to make a decision by late autumn.

Tokyo's public endorsement of Mr Kim, announced late on Thursday by Mr Tomiichi Murayama, the prime minister, is the latest sign of how Japan's previously passive foreign policy is becoming less dependent on the US, in favour of its increasing trade and financial ties with Asian neighbours.

"We prefer a candidate from our region," said a Japanese foreign ministry official. "Japan attaches great importance to Asia, especially in terms of trade, and we believe this is a good way to encourage neighbouring countries to be active in the WTO. It may lead to more trade liberalisation in those countries," he said.

This appears to be a blow to the EU's hopes that Mr Ruggiero would win the support of Mr Kim's backers, as a non-partisan candidate, free from EU interests. Brussels would continue to promote Mr Ruggiero, said an EU official yesterday.

Asian nations have reservations over the candidacy of Mr Salinas because they fear he might be coloured by Mexico's close trade links with the US.

Another example of Japan's desire for an Asian flavour to the WTO is its support for Singapore as the site for the first meeting of WTO ministers. This is in conflict with US insistence that the first meeting should be at the WTO's headquarters, which will probably be in Europe.

Lira falls again after police raid Berlusconi business

By Robert Graham in Rome

Police early yesterday raided the Milan offices of Fininvest, the business empire of Prime Minister Silvio Berlusconi, immediately damping hopes that his right-wing coalition's confrontation with the judiciary might be contained.

The raid, in which computerised information was seized, contributed to a fresh fall in the lira, with the Italian currency trading at L1020 to the D-mark, and a slide of nearly 3 per cent on the Milan bourse. The financial markets were also nervous about a senate vote that blocked measures to raise 1995 budget revenues through an amnesty on illegal buildings.

The move by the police, acting on magistrates' orders, followed the decision by the government coalition to send a formal complaint on Thursday to President Oscar Luigi Scalfaro about the behaviour of Mr Francesco Saverio Borrelli, the Milan public prosecutor. Mr Borrelli had said in a newspaper interview that judicial inquiries into corruption at Fininvest were coming close to implicating Mr Berlusconi.

The cabinet asked President Scalfaro to decide whether disciplinary proceedings should be brought against the prosecutor or a criminal prosecution for attacking constitutional authority.

The timing of the police seizure suggests it was linked to the complaint filed against Mr Borrelli. This appeared to be confirmed by information from the Milan magistrates, who indicated the police were seeking floppy discs connected to the activities of Telepiu, the cable television channel in which Mr Berlusconi has a 10 per cent stake.

The magistrates are investigating whether Mr Berlusconi retained secret control of Telepiu through friendly shareholders after he divested 90 per cent of his stake in 60 days under anti-trust laws in 1990. Mr Berlusconi this week denied there had been any impropriety in the transaction.

President Scalfaro has considerable freedom to decide what to do with the complaint against Mr Borrelli. He can play for time by doing nothing. But if he fails to support Mr Berlusconi, he risks undermining the prime minister's already weak position.

In a poll due to be published at the weekend, only 21 per cent of those asked said they would buy a used car from Mr Berlusconi. In contrast, almost 35 per cent said they would buy such a car from Mr Gianfranco Fini, the leader of the neo-fascist MSI/National Alliance and the man who stands to gain most from the prime minister's political embarrassment.

New budget formula, Page 3

THE LEX COLUMN

A job for the Fed

Having spent most of the week convulsed with jitters, financial markets took yesterday's US employment data with remarkable calm. September's rise in non-farm payrolls may have been slightly below market expectations but there is no mistaking the strong underlying economic trend. Headline unemployment is below 6 per cent which brings it close to the level at which inflation threatens by almost any definition. The size of the workforce in July and August was also revised upwards, which will doubtless be reflected in capacity use figures when they are published on Friday. In short, there is still every reason to expect a further interest rate rise soon.

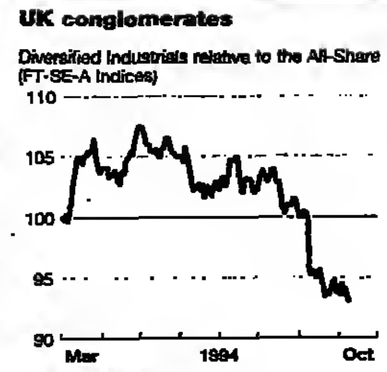
Perhaps the markets' calm yesterday simply reflected the fact that they were oversold before the announcement. But the truth remains that there can be no lasting recovery, at least, in the bond markets until investors are convinced the Federal Reserve has done enough to cool the economy and keep inflation under control. It would help if the next rate rise was aggressive, but the upward revision to the third-quarter payrolls suggests several more rate rises may be needed after that.

Amid the confusion engendered by the renewed tension in Kuwait, it is difficult what to make of the slight recovery of the dollar against the yen. It is just possible, though, that the dollar's rise above Y100 reflects the beginning of capital outflows out of Japan. Traditionally yield conscious Japanese investors must find US bond yields of 8 per cent attractive. If so, the market may be able to cope with rising short term rates more easily than hitherto.

FT-SE Index: 2998.7 (+14.3)

UK conglomerates

Diversified Industrials relative to the All-Share (FT-SE-A Indices)



Source: FT Graphite

Labour's policy

Labour's debate this week about its commitment to public ownership was irrelevant for British industry. Nationalising privatised companies would not be a priority for a Labour government. There are other means of controlling such groups. The conference rhetoric of Labour luminaries was primarily aimed at the utilities. In practice, the gas and water groups, burdened by infrastructure programmes and negative cash flow, are less at risk, but the regional electricity companies, weighed down with cash, swelling profits and bulging chairmen's wage packets, are in the firing line. A windfall tax is a distinct possibility. The Recs' managements can see the risk of a populist administration raiding their balance sheets. The argument that they should do nothing, leaving shareholders to gauge the political risk, is inadequate. They would be better to use their cash to enhance shareholder value now, either through dividends or buying back shares more aggressively. A one-off special dividend has tax advantages, but involves political dangers. Buying back additional shares is a measure which politicians and tabloid headline writers have difficulty lambasting.

If Labour is looking for unpopular companies to target for windfall taxes, it could well turn to the clearing banks, criticised last year for not fully passing on interest rate cuts. A windfall tax would scarcely damage their ability to do business. Such a measure could even be imposed before 1997. After all, the last government to impose such a tax on banks was led by Lady Thatcher.

Investment banking

The job cuts and hiring freezes announced this week in the City and on Wall Street will provide some relief to investment banks in a difficult year, but they are not the complete answer to the industry's problems. Action is also needed to link pay more closely to performance and to reduce the capital devoted to the industry. The snag is that neither will be easy.

Most banks pay lip service to the idea that pay should consist of a small fixed element and a potentially large but variable bonus. In that way, costs would fluctuate in line with revenue and profits would be less volatile. But banks are scared that, if they forcibly introduce such flexibility, they will lose their best employees. Rivals have shown themselves ready to offer star brokers and traders fixed-term contracts and guaranteed bonuses.

A reduction in the capital employed in the industry would be an even better way of boosting profits. Bankers complain that margins in formerly lucrative markets such as derivatives have been squeezed as competition has hotted up. Prospects would improve if weaker groups such as Kidder Peabody were driven from the industry. The problem is that, for every Kidder, there is a deep-pocketed commercial bank keen to expand its investment banking presence. Banks therefore seem left with the option of crossing their fingers and hoping for markets to recover. But if the structural problems are not dealt with now, they will return to haunt them in the next downturn.

Conglomerates

Conglomerates have become extremely unfashionable. The diversified industrial sector – dominated by Hanson and BTR – has underperformed sharply in the latest market downturn.

The worst under-performance followed the margin squeeze displayed in BTR's half-year figures last month, but there is general perception that the sector has gone irredeemably ex-growth. BTR and Hanson are too big to do deals substantial enough to generate the superior earnings growth of the past. The Accounting Standard Board has stamped out opportunities for boosting post-acquisition profits through fair value adjustments and other ruses. Conglomerates are suffering in today's low-inflation environment, unable to force up prices when the cost of raw materials is rising.

It is unfair to tar all companies with the same brush. Hanson's problems are not identical to those of BTR; its exposure to coal, timber and chemicals makes it more dependent on commodities prices. Tomkins and Williams Holdings have redefined what it means to be a conglomerate; Williams' new focus has earned it a premium rating stripped from Tomkins after its opportunistic acquisition of Ranks Hovis McDougall. Wassall's high rating demonstrates that acquisitive conglomerates can still win City favour, if they can find earnings-enhancing acquisitions. But Hanson and BTR must rely for their chief attraction on above average yields.

Tax cut call

Continued from Page 1

force through the changes he wants was reinforced by the overwhelming defeat of a resolution asserting the dominance of conference delegates over the NEC, which solidly supports the leadership.

However, the continuing strains at the top of the party were underlined by Mr Larry Whitty, the outgoing general-secretary, who warned Mr Blair not to ride roughshod over the party's traditions.

"In life and in politics you have to take the people with you. And in that context let us always remember that the trade union base of this party is its greatest strength and not its weakness," he said.

Decline in UK trade deficit

Continued from Page 1

exporters have slightly raised their prices. Import volumes, by contrast, fell 2 per cent in the three months to July compared with the previous three months.

The fall was greeted with surprise in the City, in light of earlier fears that rising demand this year would suck in more imports. But the CSO said the key reason for the fall had been a 9 per cent quarter-on-quarter drop in the volume of imported consumer goods. This may reflect slower consumer spending as a result of recent tax rises. Imports of components, by contrast, grew by 4 per cent in the period, reflecting the pick-up in UK manufacturing.

The exports trend was flattered by a strong performance from the North Sea sector, which recorded a £1.26bn surplus on oil trade in the three months to July.

Exports also grew in most industrial sectors. Finished goods, which account for about half of UK exports, rose by nearly £0.5bn in the three months to July, compared with the previous three months. Nearly half of this was due to increased car exports to European Union countries, now running 30 per cent higher than a year ago.

Mr Richard Needham, UK trade minister, welcomed the data as evidence that British business was becoming increasingly competitive. Mr Bryan Nicholson, president of the Confederation of British Industry, suggested they indicated that the UK was experiencing an export-driven upturn.

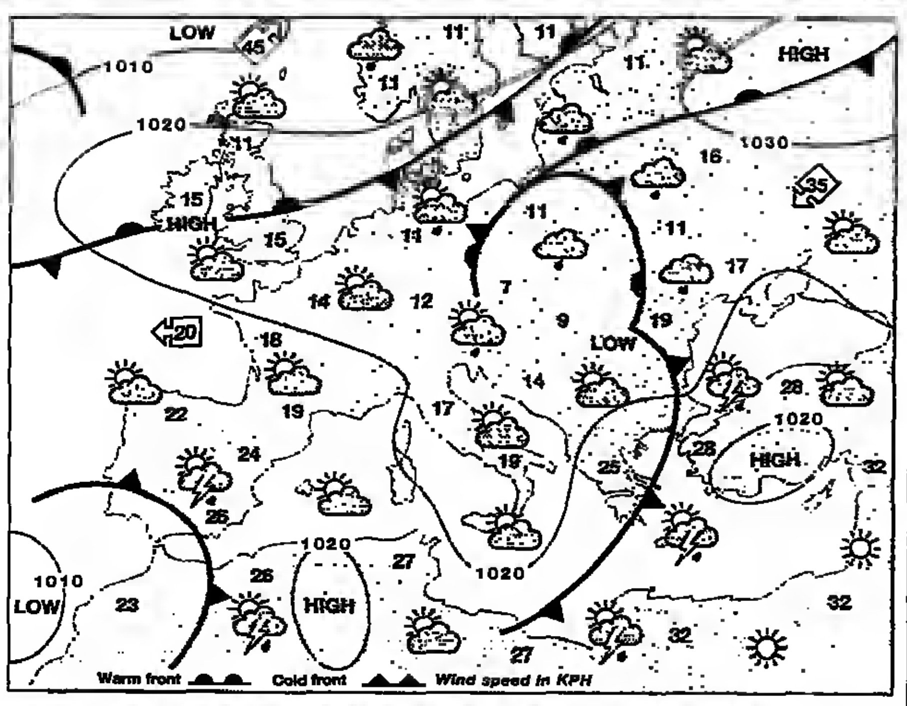
FT WEATHER GUIDE

Europe today

High pressure from Moscow to the North Sea will bring sunny spells to the Low Countries, the Baltics and parts of Russia. France will be sunny with light easterly winds. A few afternoon showers will develop over southern Spain and Morocco, while Hungary, east Austria, the Czech Republic, Slovakia, Slovenia and Romania will have patchy rain. The eastern Mediterranean, Turkey and the Black Sea will have another sunny day with summery temperatures. Cloud and light rain will cover the coasts of Norway, Denmark, southern Sweden and southern Finland, but there will be sunny spells further north.

Five-day forecast

High pressure over Russia is expected to expand and build over Scandinavia, ending northern Europe's unsettled spell. Much of continental Europe will be calm with sunny periods, although there will be a little rain over Poland and the southern Baltics.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	36
Accra	shower	30
Algiers	fair	27
Amsterdam	fair	14
Athens	shower	26
Atlanta	fair	25
B. Aires	fair	24
B.ham	fair	16
Bangkok	fair	33
Barcelona	fair	21
Beijing	fair	22
Belfast	cloudy	14
Belgrade	cloudy	12
Berlin	fair	11
Bermuda	shower	28
Bogota	fair	20
Bombay	fair	31
Brussels	sun	14
Budapest	cloudy	9
C.hagen	cloudy	12
Cairo	sun	32
Cape Town	fair	26
Caracas	shower	31
Cardiff	fair	15
Casablanca	shower	23
Chicago	rain	19
Cologne	fair	14
Dakar	cloudy	30
Dallas	fair	23
Delhi	sun	34
Dubai	sun	36
Dublin	fair	15
Dubrovnik	fair	18
Edinburgh	cloudy	14
Faro	shower	23
Frankfurt	fair	14
Geneva	sun	14
Gibraltar	shower	21
Glasgow	drzzl	14
Hamburg	cloudy	12
Helsinki	drzzl	11
Hong Kong	fair	30
Honolulu	fair	31
Istanbul	fair	25
Jakarta	fair	33
Jersey	sun	15
Karachi	fair	35
Kuwait	sun	38
L. Angeles	sun	26
Las Palmas	fair	27
Lima	cloudy	22
Lisbon	fair	25
London	sun	17
Lux.bourg	sun	13
Lyon	sun	16
Madeira	shower	24
Madrid	fair	23
Majorca	sun	24
Malta	fair	25
Manchester	fair	14
Manila	fair	31
Melbourne	fair	12
Mexico City	rain	22
Miami	fair	30
Milan	cloudy	18
Montreal	shower	17
Moscow	sun	16
Munich	drzzl	8
Nairobi	cloudy	28
Naples	fair	19
Nassau	shower	30
New York	sun	22
Nice	fair	19
Nicosia	sun	35
Oslo	cloudy	12
Paris	sun	17
Perth	cloudy	20
Prague	cloudy	7
Rangoon	fair	34
Reykjavik	cloudy	8
Rio	fair	25
Rome	cloudy	20
S. Frsco	sun	24
Seoul	sun	24
Singapore	cloudy	32
Stockholm	drzzl	13
Strasbourg	sun	14
Sydney	shower	18
Tangier	thund	24
Tel Aviv	sun	35
Tokyo	cloudy	24
Toronto	cloudy	18
Vancouver	rain	18
Venice	shower	14
Vienna	drzzl	6
Warsaw	cloudy	11
Washington	sun	22
Wellington	fair	15
Winnipeg	fair	8
Zurich	sun	12

Weekend FT

SECTION II

Weekend October 8/October 9 1994

Plastic heart of a new age man of many parts

*We have the technology, we can rebuild the human body. **Clive Cookson** examines the latest advances in medical science*

My childhood science books used to portray the human body as a complicated machine. This idea made me wonder why old people could not go to hospital to have worn bits of their body replaced, in the same way as broken-down cars were fixed in a garage. By the time I studied science at university in the 1970s, it was fashionable to look at the body as a whole biological system rather than as a machine with separate parts.

Now, with the proportion of broken-down old people in the population increasing rapidly, the machine analogy is making more sense again. One reason is that modern medicine can indeed provide a wide range of spare parts. Primitive implants are becoming available to replace many buman organs: ears, eyes and nose; bones and joints; skin and ligaments; hearts and kidneys.

These implants are made from an astonishingly diverse range of materials; hard metals and ceramics; soft plastics and foams; biological implants made by "tissue engineering" from living cells; even electronic circuits designed to replace failed nerves.

Anyone fitted with all the different spare parts available today would indeed be a bionic man or woman, but with a creaking performance far removed from a sci-fi superhero. For no implant works as well as the original human version.

Although the vast majority of implants have improved the lives of their recipients, there are also failures – some of which leave patients with even more pain and disability than they had before. Indeed suing manufacturers on behalf of "victims" is a lucrative sideline for the American legal profession.

"The problem is that all current devices for all parts of the body have a limited lifetime," says Professor William Bonfield, head of the Interdisciplinary Research Centre in Biomedical Materials at Queen Mary and Westfield College, London. However, as scientists begin to understand which chemical and physical properties of materials make them compatible with the human body, the outlook for more permanent implants is becoming brighter.

"There has been a change of philosophy recently," says Professor Chris Wilkinson, a bio-engineering pioneer at Glasgow University. "You used to try to make your material as inert as possible – and you assumed your engineering skills were better than the body's. Now we accept that the body is more clever than us."

Research today aims to produce implants that knit together with the body's own tissues. The key factor here, according to Professor Colin Humphreys, a biomaterials specialist at Cambridge University, is not so much the chemical nature of the implant as its micro-structure. The material must have a shape and texture that is compatible with living tissues on the scale of a few nanometres – millionths of a millimetre. "If it does not have the right nanostructure, it will not work," he says.

A good example of the new focus on micro-structure is Bonfield's project at Queen Mary and Westfield College "to design from scratch an artificial bone that will fit as well as possible with the real thing." His team has come up with a composite material containing hydroxy-apatite, the main mineral in bone, blended with plastic.

Although hydroxy-apatite has been used before, Bonfield believes his material is the first with the same nano-crystalline structure as natural bone. The result, when it is put next to osteoblasts (bone-producing cells), is that tiny whiskers of bone grow cleanly into the implant. Clinical tests of the material are showing that it can successfully repair the cheekbones of people whose faces have been disfigured by disease or accident. Thirty patients have already received the implants and 400 more are due to take part in an extended clinical trial.

As with most researchers developing bio-materials, Bonfield's goal is to move into hip joints – the biggest sector of the implant market. According to Frost & Sullivan, a Californian market research company, US sales of hip implants will be worth $810m this year.

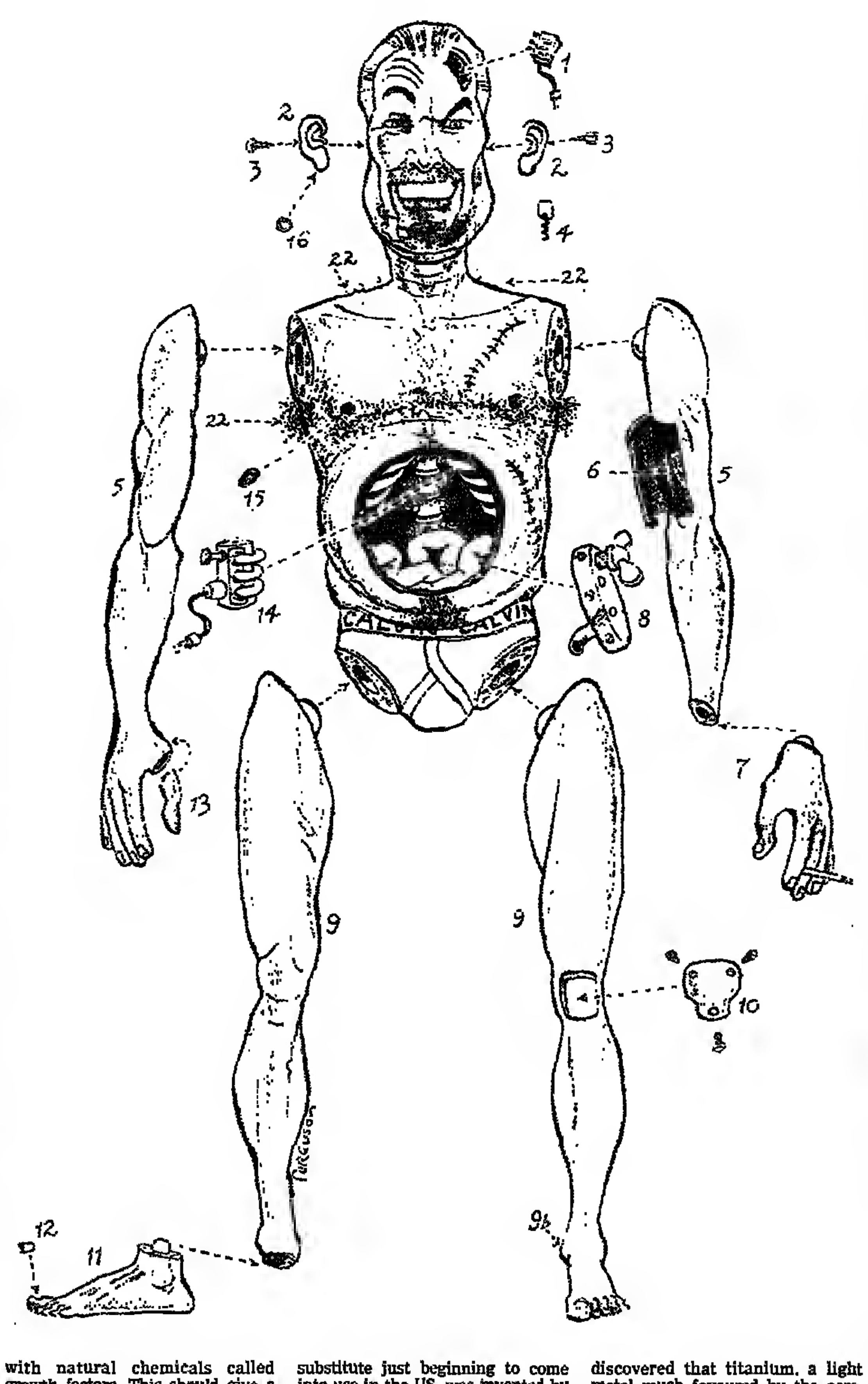
Artificial hips, introduced in the early 1960s, give new mobility to 500,000 people a year worldwide whose own joints have been ruined by arthritis and other diseases. The natural hip is a ball-and-socket joint. Its replacement involves cutting off the round head of the patient's thigh bone and hammering in a metal spike to which a new ball is attached; at the same time, the natural socket in the pelvis is cut oot and replaced with an artificial cup made from metal lined with plastic. Both components of the artificial joint are conventionally cemented in place with a glue called polymethyl methacrylate.

Total hip replacements have given good results in elderly patients, working well for 10 to 15 years. But they last less well in people under 70, who are more active and put more strain on their hips. Their new joints can fail within five years – usually because the bone shrinks away from the implant, which then works loose.

"The result is that a steadily increasing proportion of our patients are undergoing 'revision' operations to replace artificial hips that have already failed. Altogether about one-third of hip replacements are now revisions," says Richard Coombs, an orthopaedic surgeon at the Royal Postgraduate Medical School, London. "Our aim is the 30-year prosthesis, yet today our youngest patients have a five to seven year revision rate."

Repeated surgery to replace failed artificial joints is not only distressing and risky for the patients but also expensive. The National Health Service would save an estimated £80m a year if it did not have to carry out second and subsequent hip replacements.

Much research into orthopaedic implants is aimed at giving the metal components a porous surface coating – of hydroxy-apatite, for example – which will encourage the patient's hip and thigh bones to bind naturally with the implant. To stimulate the osteoblasts, the implant may also be impregnated



with natural chemicals called growth factors. This should give a stronger bond than any synthetic glue.

Patience and dogged persistence are essential requirements for anyone developing implant materials. Proving their safety and efficacy inevitably takes many years. For example Bioglass, a ceramic bone substitute just beginning to come into use in the US, was invented by Professor Larry Hench at the University of Florida in 1969.

Professor Per-Ingvar Branemark of Gothenburg University, Sweden, also shows the persistence required in bio-materials research. As a young medical scientist working on laboratory animals in the 1950s, he discovered that titanium, a light metal much favoured by the aerospace industry, could secure implants firmly in living bone.

Branemark first used the system in 1965, to fix the most humble of implants – false teeth – with a titanium screw into a man's jaw bone. Twenty-nine years later, that patient's dentures are still firmly in place, and 300,000 other people have had dental implants secured with the same system.

The weight of clinical evidence did not convince the world's dentists that the Branemark system was safe and effective until the 1980s. And only in the mid 1990s are orthopaedic and plastic surgeons beginning to take titanium screws seriously, as a way to fix artificial joints and other body parts permanently to patients.

"No one knows bow and wby the system works so well," Branemark says, "but empirical findings like this are important in medicine." Apparently, tbe titanium surface is covered by a thin oxide layer whose crystalline structure happens to be completely compatible with bone; at the same time it contains no chemicals capable of triggering an adverse reaction from the body's immune system.

Implant development is not only slow but may also be legally and financially hazardous. The most spectacular demonstration of the dangers is the $4bn fund proposed by Dow Corning and other US manufacturers of *silicone* breast implants, to settle litigation by thousands of women who were allegedly barmed by the devices. Although the companies maintain tbat *there is no scientific evidence* to link tbeir products to the plaintiffs' auto-immune diseases and other medical problems, some implant recipients have undoubtedly suffered great pain – and their lawyers have successfully portrayed them as innocent victims of corporate greed and negligence.

The silicone saga bas frightened several companies off tbe whole implants business. "We have pulled out of making materials for medical implants altogetber, and a number of other companies bave stopped developing medical implants in the US because, with the potential [legal] liability, it is not worth the risk," says Dr Ralph Cook, Dow Corning medical director.

Another corporate victim of the implants business is Vitek, a Texan company founded by Dr Charles Homsy to make implants out of a material called Proplast which be has been developing for more than 20 years. Vitek went bankrupt in 1990, crushed by the weight of lawsuits by patients who suffered adverse reactions – including severe and intractable pain – after receiving Proplast jaw implants.

Homsy believes that the fault did not lie with the material itself but with the way it was used. He has shown his faith in it by setting up a new company in Switzerland, Promotus, to continue developing and marketing *Proplast* (a porous matrix of Teflon plastic with hydroxy-apatite). Surgeons in the Netherlands are carrying out a long-term trial of bip implants coated with Proplast.

So mucb for passive implants to replace failed bones and joints. Research into active implants, which substitute for nerves and muscles, is less advanced but

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Enjoying the Florentine Renaissance 24 hours a day Page XII

The Long View / **Barry Riley**

Shadow of a smile

There was something strange about Dr Mortimer Duhm when be passed through town this week. He was smiling. Mort Duhm is intolerable during a hull market, but in bearish conditions he comes into his own. And you have to admit that this year he has been absolutely right. "The US Treasury long bond yield has backed up from 6.2 per cent to 8 per cent since January," he pointed out. "It's proportionately *almost as* big a *shift as before* the 1987 stock market crash when the rise was from 7.3 to 10.2 per cent between January and October."

It is true, I said, thet *Fortune* magazine has calculated this year's paper losses at $600hn on US honds and $1,500bn on bonds world-wide. On average, everybody in the world has lost $280. But surely the leveraged hedge funds which caused a lot of the instability were out fairly early on. Why are we suffering a second stage in the collapse this autumn?

"They weren't the biggest players, even though they got most of the publicity," satd Duhm. "There were also the proprietary trading desks of the big securities firms and banks. The bad news is still only trickling out, as with the profit warning from Hambros bank in London this week and the staff redundancy warning at Goldman Sachs.

"Then there were the US commercial banks, which were offered a free ride along the yield curve in 1992 and 1993 by the US Federal Reserve. Few of them have yet owned up to their true losses. They are what are called *capitulation* sellers. They hold on and hold on, hoping for a rally, hut finally give up. They may be forced into a clean break before the calendar year-end."

The obvious weak point about the 1993 bond hull market, I said, was that the bonds were not going into firm, long-term hands. UK gilts were hardly being bought by British pension funds, which took just £2.7bn worth, but very largely by unspecified foreigners who vacuumed up gilts worth £16.6bn.

"And the OECD countries are trying to dump another $400bn-plus of bonds into these devastated markets this year," added Duhm. "It's crazy. Now, Italian government debt is yielding 12 per cent and there are scuffles in the streets in Rome outside the prime minister's office."

But, I pointed out, at least the US *equity market* had been holding up, almost against the odds. As recently as September 15, the Dow Jones Industrial Average was only 25 points sbort of its all-time high, and it was still only 5 per *cent off that* peak.

"But haven't you noticed how *ortificial* that performance is?" replied Duhm. "The market leaders are being propped up by take-over speculation and maybe by *actual* manipulation. Elsewhere, the transports and the utilities are off more than 20 per cent since last winter. American investors have been selling some of the overseas stock markets like Hong Kong, which is down a quarter this year, and the European markets, many of which are down by between 15 and 20 per cent from the peak in local currencies. The US market is being shielded, but it can't last long."

There had been strong echoes of 1987 in all this, I said. That year's similar bond market collapse reflected the way investors became scared about rapid economic growth and rising inflation. Global economic growth was around 4 per cent, a level to which we are only now getting back.

In 1987, however, the distortions were rather more extreme: the ratio of the *US Treasury long bond* yield to the US equity market dividend yield rocketed from under 3 to over 4, whereas it is now about 3.3. Although that is still much higher than at any time since 1987 it does not indicate another full-hlooded crash so much as a mora modest correction.

"You're an optimist," Duhm declared. "Remember that the scale of the required equity market adjustment seven years ago was moderated by a simultaneous bond market recovery. But conditions in the global hond market today are uglier. If the US long bond yield goes to over 8 per cent, then the required correction in equities on Wall Street could still he 25 per cent.

"Some of the other pieces of the 1987 jigsaw might also fall into place. The Federal Reserve could he just about to raise the discount rate again, as it did in September 1987. All we would then need would be an unexpected German tightening.

"And finally," grunted Duhm, "we bave the derivatives factor. Portfolio *insurance* was *another of* the sub-causes of the 1987 disaster. In seven years, the rocket scientists have had plenty of time to plant some much bigger ticking bombs. We don't for sure *know what they* are, *but we shall be* lucky if none of them goes off. For instance, look at the billions in untradeable instruments in tbe mortgage-backed securities market, where Kidder Peabody is *being* bailed out by its wealthy parent, General Electric."

But a lot of this was just scare talk, I protested. There were many cases of foolish corporate treasurers caught by derivative positions that went the wrong way, hut this was not the same as systemic collapse. Moreover, for every widely-reported loss, somebody somewhere was *quietly making* a profit.

Mortimer Duhm snorted. "Tbe system can only learn from its mistakes," he snapped. "The derivatives markets are only as strong as their weakest links. They are going to be tested. So are governments, as they are pulled two ways. They know they have to stop burying the world in bonds and forcing *real interest rates ever higher*. On the other hand, they perceive their response in 1987, in cutting short-term interest rates and boosting liquidity, as a mistake which generated an inflationary boom and bust. The markets will have to decide *for* them."

He edded: "But when a big investment bank folds, or the first western country re-schedules its debt, that could be a major buying signal." I swear that Dr Duhm almost smiled again.

MARKETS

London

Profit warning hits dealers where it hurts

Andrew Bolger

People in the City of London are much like those anywhere else: bad news seems worse the nearer to home it strikes. This was apparent in the reaction to developments which brought the recent weakness of the bond and equity markets all too close to their trading screens.

The FT-SE 100 fell 42.8 points on Monday after S.G. Warburg, the UK's largest investment bank, warned that its interim profits would be more than halved because of a plunge in profits from trading in bonds, equities and derivatives. The next day another rival merchant bank, Hambros, said it had also suffered losses on the bond market and would make only about half of last year's interim profits.

Traders were suddenly faced with the worrying thought that highly paid jobs might be at risk in the Square Mile, which last year enjoyed a bonanza from the surging equity market. There appears to be little immediate prospect of widespread lay-offs, but bonuses seem certain to be a pale shadow of the previous year's bounty.

One merchant banker commented: "After the party of '93, comes the hangover". And indeed the chart shows that the merchant banks sector has outperformed the market in the past two years, even after this week's downward correction. However, it is easier to take such a philosophical stance if – like the banker in question – one is not too directly exposed to the bond and equity markets.

Warburg has followed the example of the big US investment banks, which offer clients trading services as well as fee-based advice. These US banks have also recently suffered big losses on the trading side, and greater volatility in profits seems an inevitable consequence of adopting such a strategy.

There remains plenty of corporate activity around – not least new issues. KPMG Peat Marwick forecast this year was still set to break records for flotations, in spite of issues being pulled and a disturbing level of profit warnings from recent candidates. So far this year, KPMG estimates that a total of £7.8bn has been raised from 182 new issues, and it expects that a pick-up in activity before the November budget will put the final tally comfortably ahead of the 1986 record of £9bn.

KPMG said investors who had had their fingers burnt would be particularly wary and some companies would face an uphill struggle to convince investors that they were of a suitable size and quality to join the main stock market.

One company that will easily overcome the scale barrier is British Sky Broadcasting, the satellite television company which confirmed that it plans to stage a share issue on the London and New York markets. The issue, provisionally programmed to take place before Christmas, is expected to involve the sale of up to £1bn of new BSkyB shares, or 20 per cent of its enlarged equity, valuing the company at just under £5bn.

Meanwhile, the equity market's movements continued to be dominated by bonds. As well as the Warburg announcement, Monday's plunge was attributable to weakness in gilts after worryingly high UK money supply figures and the increased concern over inflationary pressures in the US.

An unconvincing 18-point rally in thin trading on Tuesday was followed by a 45.5-point downward lurch on Wednesday, when strong growth in US factory orders heightened fears that US interest rates would have to rise soon. The FT-SE did regain 28 points on Thursday, mainly because a dip in UK manufacturing output in August suggested there was less pressure to raise to raise UK interest rates again. Yet traders are fixated on Wall Street. Only when yesterday's US payroll and unemployment data were received without the feared rise in the Federal Reserve's interest rate did the market relax, to close 14 points higher – down 27.6 on the week.

The uncertain outlook is best illustrated by the huge range of year-end forecasts for the FT-SE. James Capel, the UK's biggest broker, downgraded its target to 2,640, but some brave souls are still sticking by 3,600. Robin Aspinall, Panmure Gordon's bearish analyst, started the week boasting that his year-end forecast of 2,800 was the only one in the City not to need changing this year, but after Wednesday's rout was reminding institutions of his "ultimate target" of 2,200.

Aspinall points to the UK car sales: "While consumers have stopped buying cars (personal purchases were 4.5 per cent lower in September than a year earlier), companies are still buying enough for their fleets to boost total sales by 6.5 per cent. Companies' finances are in better shape than consumers', but that cannot last for long without the consumers' help. We are heading for a consumer-led recession."

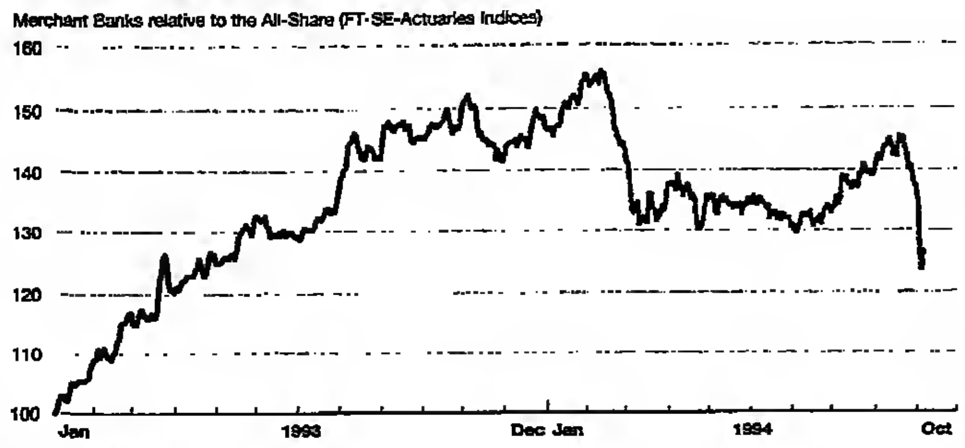
J. Sainsbury, the UK's largest grocery retailer, would not subscribe to such a gloomy conclusion but nevertheless continued its diversification away from the UK food retailing market by taking a £205m stake in Giant Food, a Washington DC-based supermarket chain. The deal is Sainsbury's second move into the US, after taking control of the Shaw's supermarket chain in the north-eastern US in 1987. It gives the UK retailer a strong position on the eastern seaboard.

A City crash would also be bad news for Vendôme, the luxury goods group, which this week paid an undisclosed sum for James Purdey & Sons, Britain's most famous sporting gunmaker. In spite of prices which range up to £40,000, there is an 18-month waiting list for the shotguns, which Purdey has been making for 200 years at its premises in London's Piccadilly.

Or perhaps not? Given the febrile state of the financial markets, perhaps even unemployed stockbrokers would prefer to blow some of their payoff on blasting birds...

Merchant banks falter

Merchant Banks relative to the All-Share (FT-SE-Actuaries Indices)



Source: FT Graphite

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1994 High	1994 Low	
FT-SE 100 Index	2998.7	-27.6	3520.3	2876.6	Fears of US rate rise
FT-SE Mid 250 Index	3447.5	-47.5	4152.8	3363.4	Absence of buyers
Ashtead	441	+11	454	333	Confident agm
BT	380	+16	486	353½	Upgrades/figures due Nov 10
Bank of Scotland	194	-13½	247	172½	Interim dividend disappoints
Cannon St Invs	13½	-14	39	11½	Profits slide
Commercial Union	519	+16	701½	481	Rights issue success
Etam	279	-31	326	217	Current trading below expectations
GKN	596	-20½	660	510¼	Ford production cuts
Hambros	233	-29	473	221	Profits warning
Lucas Inds	177	-19	239	158	Rights issue worries
Reuters	446½	-29	539¾	424	Knock-on from banks weakness
Smith New Court	324	-50	496	324	Volatile, but thin, markets
Storehouse	203	+14	252	189	Favourable trading statement
Warburg (SG)	587	-83	1012	569	Profits warning

Serious Money

A little knowledge is a sensible thing

Gillian O'Connor, personal finance editor

Options trader, quantitative analyst, property economist, pensions manager, swaps trader, foreign exchange dealer, investment manager, head of high yield and distressed debt: this list is not some yuppie equivalent of "tinker, tailor, soldier, sailor"; it reflects the new student intake at London Business School's investment management course.

Tuesday evening this week found all these high-powered, highly-paid students solemnly tossing a pair of dice 10 times to simulate probable portfolio returns. More prosaic moments dinned home such useful messages as:

□ Risk-tolerant and long-term investors prefer more equity.
□ Investors with real liabilities prefer short gilts to long (or index-linked).
□ Investors with nominal liabilities prefer to match.
□ High-tax investors prefer short gilts to long gilts.

Most serious private investors would have found the seminar illuminating, but one residual query is obvious: to what extent can even a rich individual make use of investment theory intended for professionals managing multi-million pound portfolios?

You might well run your own investment portfolio very differently from that of a pension fund or unit trust. But the more you understand about the characteristics of different types of security and the way professional investors use them, the better. Knowledge might not help you to make money – but it should help you to avoid losing it. And steering clear of pitfalls plays a large part in successful investment.

Take risk, for example. Most sensible investors take some risks, but they do not take risks which are at odds with their objectives or unlikely to offer a commensurately greater reward.

It would be stupid to buy a share that you expected at best to provide the same return as a gilt held to maturity. Since the return on the share is uncertain, it becomes a sensible choice only if you expect it to produce a higher return than the safer alternative. Diversification helps reduce risk.

Such basic cautions are as useful to the individual investor as they are to the professional. They may seem blindingly obvious, but too many people still regard buying shares as the financial equivalent of a white-knuckle ride without a safety net: a test of machismo. Unsurprisingly, such investors tend to end up losing money.

□□□

Emerging stock markets are one type of investment where risk/return calculations are particularly relevant. After a hectic rise in 1993, the markets – which include those in the fast developing countries of Asia, Latin America and central and eastern Europe – have first fallen sharply and then recovered so far this year.

There is at present a heated debate among professional investors as to whether emerging markets represent good value at their present levels. What is slightly chastening about this debate is that such intelligent people can use the same evidence to come to opposite conclusions.

Two recent papers sum it up. "Has the gravy train been and gone?" asks David Shaw at Legal & General.

His answer is that although there continues to be "a strong, compelling secular case for emerging markets, the purely cyclical justification is near the end of its shelf life". In other words, they are still attractive in the long term, but investors should be ready to take profits in the short term.

Shaw's immediate worry is that US interest rates will rise enough next year to pull mutual fund money back home. If the Fed funds' rate tops 6 per cent (against the present 4¾ per cent), that will trigger "the US private investors' liquidity preference". So, the little old lady from Pasadena will call her wandering dollars home from Rio and Beijing. And the long feared global capital shortage will become reality.

Over at Independent Strategy, David Roche has an answer to this fear. "The global capital market is like a bath that is being tipped towards the deep end of high returns in the restructuring economies," he says.

Capital will be sucked out of the rich countries and fed into more productive investments in infrastructure and technology in the emerging economies. And "the existence of hedge funds and derivatives guarantees that, when the bath tips, the water will slosh towards the productive end fast, though perhaps with considerable volatility".

Since the rewards look good enough, investors will accept the risk. But mind your eye..

This is one of those pleasing occasions where private investors are actually placed better than professionals. The two Davids both agree about the long term attractions of emerging markets, and any sensible private investor would put money in emerging markets only on a long term basis.

Hoping to hit the jackpot by trading in and out of this kind of market is a mug's game. But owning shares in an emerging markets trust is a the mark of a canny long-term investor.

□□□

Are personal equity plans a tax break used only by the rich? Autif is keen to point out that 50 per cent of unit trust Pep holders are basic-rate taxpayers. Yes, but...

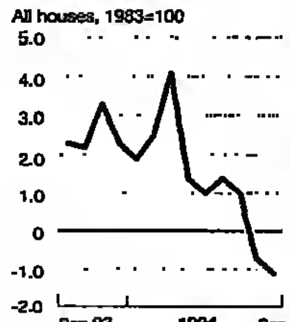
One of the worries about Peps is that they are often sold to people who are unlikely to benefit from them – such as basic-rate taxpayers.

AT A GLANCE

Finance and the Family Index

First time buyers

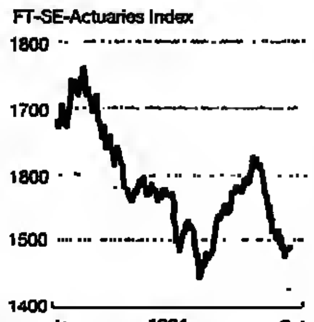
All houses, 1983=100



Source: Halifax

All-Share Index

FT-SE-Actuaries Index



Source: FT Graphite

House prices rise, house prices fall

The two largest building societies disagreed on the direction of house prices last month with Halifax, the biggest, reporting a modest rise of only 0.1 per cent in September compared with the previous month. But Nationwide recorded a fall of 2.9 per cent – the greatest monthly drop for almost four years. Prices paid by first-time buyers rose in September by 0.3 per cent, according to Halifax.

Mortgages, Page VIII

Bears scared by US bogeyman

The UK stockmarket suffered another queasy week, as disappointing results showed up in its own back yard: the upset at Warburgs prompted a flurry of rumours about other securities firms' probable results. Bears then started looking across the Atlantic for new sources of worry – and US interest rates became the new bogeyman.

Info' fund put on hold

The launch of the Infrastructure Investment trust by BZW and Société Générale Strauss Turnbull is being postponed until the new year because of the continuing poor market for new issues. The trust plans to specialise in emerging markets' companies involved in advertising, telecommunications, software, broadcasting, and other elements of the "information infrastructure". David Cohen, of SGST, said that although the trust might have achieved its stated minimum target of £40m this autumn, he thought investors would be more confident in 1995.

New Trust Launches, Page IX

Smaller companies suffer

Smaller company shares continued to suffer this week. The Hoare Govett Smaller Companies Index (capital gains version) fell 2.3 per cent to 1637.33 over the week to October 8.

Next week's Family Finance

There are huge numbers of offshore-listed unit and investment trusts available to investors in the UK, some of which offer exciting opportunities you cannot find on-shore. But where can you find information about them, and how safe is your money?

Wall Street

Endless growth, full employment, utter gloom

These can be confusing times for anyone who follows Wall Street. Consider this: the US economy is in its fourth year of growth and about to enter a fifth, corporate profits are healthy, consumer spending is strong, inflation is low, and the expansion in the labour market has pushed the national unemployment rate down to a level low enough for some analysts to claim that the economy is close to full employment.

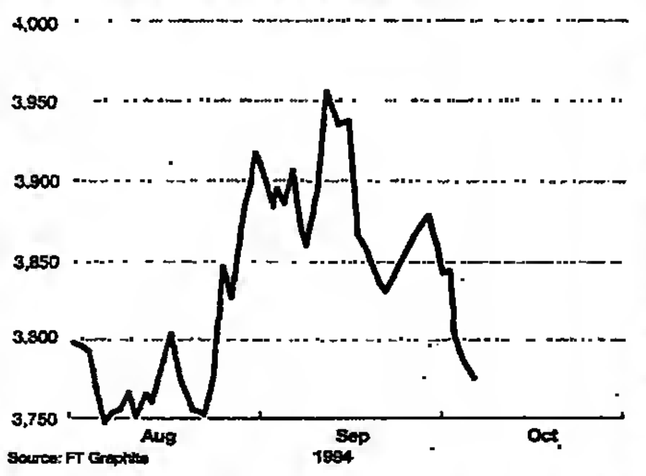
Yet, instead of celebrating their good fortune, investors in the US stock and bond markets are unhappy. Yesterday's seemingly good news from the September employment report – non-farm payrolls rose by 239,000 and the national jobless rate dropped from 6.1 per cent to 5.9 per cent, its lowest level in four years – was greeted with a marked absence of enthusiasm on Wall Street.

After an initial rally, bond prices and stock prices fell back yesterday, and were either flat or below their opening values by midday. Stocks took a beating this week because of fears that the economy is growing too strongly, and bonds are trading close to levels where the yield on the 30-year issue flirts dangerously with 8 per cent, a mark many analysts label "psychologically important". (This means that investors will have a nervous breakdown and sell everything in a wild panic the moment the yield rises above 8 per cent.)

At least the bond market's discontent makes sense. Rising economic growth almost invariably translates into higher inflation, and inflation undermines the value of fixed-income assets such as government securities. The fact that inflation is low today is not reassuring – it is the prospect of higher inflation tomorrow, and next year, that has the bond market rattled.

The explanation for the stock market's behaviour is less straightforward. Although a strong economy and rising employment means higher corporate profits, equity investors – like their counterparts in the bond market – are looking forward six or 12 months. What they see ahead is a worrying reversal in both economic and company earnings growth, a reversal engineered by the Federal Reserve, which has raised interest rates five times this year in an attempt to slow the economy and restrain inflation.

Dow Jones Industrial Average



Source: FT Graphite

The immediate fear in both markets is that the Fed will raise rates a sixth time, possibly as early as next week when the government releases the September inflation figures. In fact, for much of this week, investors were concerned that the Fed would tighten monetary policy yesterday, after the jobs data were released.

Although the employment report failed to trigger a rate rise, it proved to be a mixed blessing for markets. The 239,000 rise in non-farm payrolls was smaller than forecast, but for anyone worried about jobs growth this news was offset by upward revisions in the previous estimates of July and August payrolls. The revisions meant that 106,000 jobs were created this summer of which the markets had been unware.

When combined with the unexpected drop in the national unemployment rate to 5.9 per cent, the September report was unsettling news. Analysts said yesterday that if the figures were not bad enough on their own to prompt an immediate Fed rate increase, they certainly increased the pressure on the central bank to raise rates. If next week's inflation numbers come in above the forecasts, analysts are convinced that the Fed will tighten policy.

A sixth interest rate increase in eight months would spell trouble for stocks, which after a solid third quarter (the Dow Jones Industrial Average rose 6 per cent between July and September) are looking vulnerable to a sharp sell-off.

If the Fed does act, a rate rise will spoil what should be another encouraging quarterly reporting season. Since the Fed first put up rates in February, the one factor sustaining share prices has been corporate profits, which have grown steadily.

Soon that crutch may be removed. At some stage, higher interest rates will effect the economy and earnings. So far, only two sectors have felt the sting: the Wall Street investment banks and brokerage firms, which have seen their profits from securities trading, underwriting and broking plunge. (on Thursday Salomon said it would report a loss of about $100m in the third quarter because it had lost money trading its own capital in the markets), and the money-centre banks, which have been hurt by lower securities trading profits.

Eventually, other industries will start to suffer. Analysts warn that this could happen as early as the first quarter of next year. It is these warnings of trouble tomorrow that are depressing prices today.

Patrick Harverson

Monday	3846.89	+	03.70
Tuesday	3801.13	–	45.76
Wednesday	3787.34	–	13.79
Thursday	3775.56	–	11.78
Friday			

Bottom Line

Elsevier digs for electronic gold

Last Saturday, the co-chairman and chief financial officer of Reed Elsevier took a break from meetings with US investors and spent the day playing the tourist at deserted gold mines in Colorado, unaware they were about to clinch a $1.5bn-deal.

Ian Irvine and Nigel Stapleton discussed the Anglo-Dutch publisher's imminent launch on the New York Stock Exchange. But they barely mentioned the group's long-term ambition to become a leading provider of electronic information.

Within 48 hours, however, they had doubled the size of Reed Elsevier's electronic publishing operations by agreeing to buy Mead Data Central – the US distributor of on-line legal and business information.

The rapid turn of events was dictated by Mead Corporation, the paper and forestry group, which decided quite suddenly to offer its MDC subsidiary to Reed Elsevier after months of tentative negotiations.

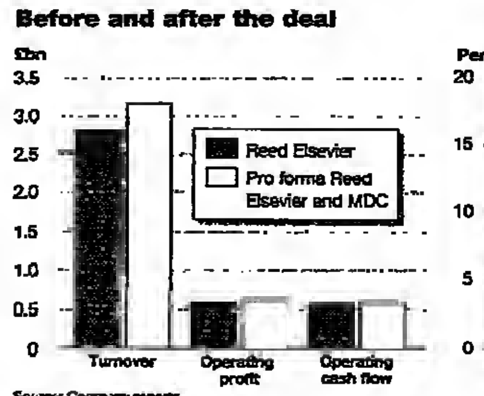
A contract was drawn up in New York, Stapleton signed it and flew back to London on Concorde. On the flight, he polished a presentation designed to convince City analysts and institutions that the group had pulled off an unexpected coup – winning control of the Ohio-based business in spite of rival offers from Times Mirror, the US media group, and Thomson Corporation of Canada.

After hearing Reed Elsevier's financial and strategic arguments, most analysts have welcomed the deal, which is to be financed from cash reserves and $1bn of borrowings.

"They have won access to a fast-growing electronic distribution network – that's the way forward for the group's professional and scientific publishing businesses," says Chris Munro of Hoare Govett.

Her view is echoed by Louise Barton, media analyst at Henderson Crosthwaite. She says concerns at MDC's price have been soothed by forecasts showing interest cover will remain above six times despite the near doubling of net debt to £1.2bn.

Before and after the deal



Source: Company reports

"This is a sound strategic fit and the funding is well within the constraints imposed by the balance sheet," she adds.

Nevertheless, shares in Reed International and Elsevier, which merged last year, fell after Moody's put its long-term debt ratings on review for possible downgrade.

While admitting that gearing of 90 per cent looks steep, Nigel Stapleton points out that the group's strong cash flow – £217m at the half year stage – should enable it to pay down a large part of the debt within three years.

The shares have since stabilised and should bounce back if MDC delivers the growth expected by its new owners.

The electronic publisher is likely to contribute about $75m of profits and $612m of sales next year – pushing North American turnover close to 50 per cent of the group total.

By amortising a $1.27bn slug of goodwill, Reed Elsevier will enjoy tax relief on those profits and ensure the deal is earnings enhancing.

"There are clear financial advantages," says Frans van Schaik, of Barclays de Zoete Wedd Nederland. "It should add about 3 per cent to earnings per share next year."

On his forecasts, full year eps would rise from 41.9p to about 43.2p. Other analysts predict an even larger jump to 49.5p by the end of 1995.

Strategically, the prospects are also alluring. MDC's two main businesses – Lexis and Nexis – look set to grow rapidly. Demand for Lexis, the on-line legal service used by 20 per cent of US lawyers, is expected to increase almost 10 per cent next year. Nexis, the business information arm, has access to more than 4,500 databases and is sold worldwide.

More importantly, they offer an electronic highway for Reed Elsevier's high-margin scientific and professional publications, which could be transferred from hard copy by the end of the decade.

That strategic shift looked some way off last weekend. But the MDC deal has enabled the Anglo-Dutch group to fulfil its ambitions earlier than expected.

"Reed Elsevier will be able to better realise MDC's tremendous growth potential," says Steven Mason, Mead's chairman. "The acquisition puts it in a unique position in a rapidly developing industry."

Tim Burt

FINANCE AND THE FAMILY

Commodities – a stake in the real world

If you're bored with equities, why not invest in natural products? ***Scheherazade Daneshkhu and Bethan Hutton*** *examine the prospects*

Forget stocks and shares: the latest investment theme is real products that you can eat, burn, or make things with. Fund managers are saying that the world economic recovery will increase the demand for commodities – mining and agricultural prnducts as diverse as zinc, oil, gas, rubber, soya beans, sugar and pork bellies – and drive prices higher.

The other big idea is that because the prices of commodities are correlated inversely with equity and bond prices – so that commodity prices rise when equity and bond prices are falling, and vice-versa – the overall volatility of a portfolio should be reduced.

A commodity element in a portfolio is supposed to act as a bedge against inflatinn, ton. This is not just because prices of real assets like commodities tend to rise in line with inflation; in fact, rising commodity prices are a factor in generating inflation.

The wnrry about investing in commodities now is that the prices of several major commodities – particularly coffee and copper – have had spectacular increases already this year. Cynical investors might wonder if, once again, they are being invited to board the bandwagon near the top of the hill just in time to start heading down.

But Ronald Gould, of BZW Investment Management, argues that while a few individual commodity prices may have rsced ahead, commodities as a whole are up only 5 per cent so far this year. Indeed, if you take a 12-month view, they are actually down slightly.

■ **Investment trusts**

Until now, there have been few investment trusts offering the private investor exposure to commodities. The nearest is Julian Baring's Mercury World Mining trust, launched about a year ago. But two London investment managers are hoping to catch the growing interest in commodities by launching new investment vebicles.

Fleming is in the early stages of preparing a natural resources investment trust, while BZW is a little further ahead witb its commodities trust (while this actually is a Jersey incorporated investment company, it will be listed on the London stock exchange and behave just like a normal investment trust). Institutional investors have committed themselves to buy shares worth just under £70m in this fund; the offer for private investors closes later this montb.

Neither Fleming nor BZW will invest in physical commodities – no warehouses piled high with coffee beans or tankers full of oil. That apart, the two funds will take very different approaches to the sector. BZW's strategy is based on using derivative products to gain exposure and it aims to beat the Goldman Sachs commodity index. While some risk-averse investors may be alarmed by the very word "derivatives", Gould stresses that BZW will not use these to gear up the fund.

Instead, the managers will buy mainly loan notes, wbere the return is linked directly to the price of an individual commodity or index; or commodity-linked swaps, which are more speculative except tbat BZW will back them with cash in short-term money market instruments.

The fund's model portfolio will have just nver half its assets linked to oil and gas, with smaller amounts in livestock, agricultural commodities, industrial and precious metals. The asset allocation is similar to, but not identical with, Goldman Sachs' proportions.

Fleming, on the other hand, is planning to get exposure to commodities by buying shares in companies around the world which are involved in the extraction, cultivation and processing of natural resources.

The managers will have an industrial bias, concentrating on oil, gas and non-precious metals rather than the more glamorous gold and platinum. The idea is to ride the commodities cycle, so the fund will have a limited life of between three and seven years. This allows the managers to sell up at the most opportune moment.

BZW's minimum investment level has been set at £5,000 in order to exclude small-scale or novice investors. The fund is aimed at institutions or sophisticated private investors looking for diversification opportunities. The prospectus states quite clearly that the trust "should be seen as complementary to existing investments in a wide spread of otber financial assets, and should not form a major part of an investment portfolio".

The Fleming trust is more open to smaller investors. Its minimum investment has not yet been set but is likely to be around £2,500. The same risk warnings apply, however: consider this fund only if yon have a broad spread of equity investments.

■ **Unit trusts**

Private investors have always had a far wider chnice of commodity and energy unit trusts than investment trusts. The composition of the funds varies considerable, with some concentrating nn a single commodity such as oil or gold while otbers have a broad spread. The table lists the funds and their performance to October 1.

The best performer has been Mercury Gold & General, managed by Julian Baring. This outperformance, combined with the recent fashion for commodities, has seen it grow from £26m at the beginning of last year to just under £400m – far larger than the sum of all the other trusts in the sector.

Is this a good time to invest in commodities? David Hutchins, manager of M&G's two funds dealing in them, believes the recent interest indicates that the sector is nearer its top than the bottom. He adds: "A lot of money has already been made. For example, base metals have moved up by 40 to 60 per cent since last September. Hnwever, in previous cycles, metal prices have increased by as much as 300 per cent, which suggests that there is still more to go, particularly since the cycle usually lasts two to three years, not just one."

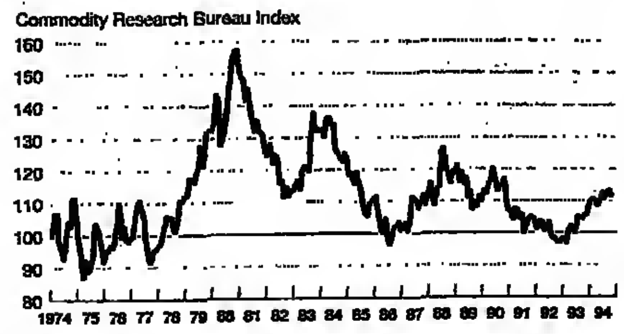
Mark Lawson-Statham of Fleming, wbn manages S&P's Energy Industries fund (which is over 90 per cent invested in oil stocks) also is hopeful about prospects despite the fact that oil is cheaper today, in real terms, than in 1986 wben there was a price crash. He says: "When capacity uilisation [production divided by the capacity to produce] goes above 90 per cent, you get a price explosion. It is now over 90 per cent and will remain high, probably at over 95 per cent, to the end of the decade. Oil demand has grown every year since 1986 despite the recession."

The driving force is demand from the Far East (plus the cheapness of nil). And since the amount of oil consumed per capita in Asia is only one-tenth of that consumed in the west, it is likely this demand will continue to increase. "We have a cyclical commodity pattern backed by a stong structural picture," adds Lawson-Statham.

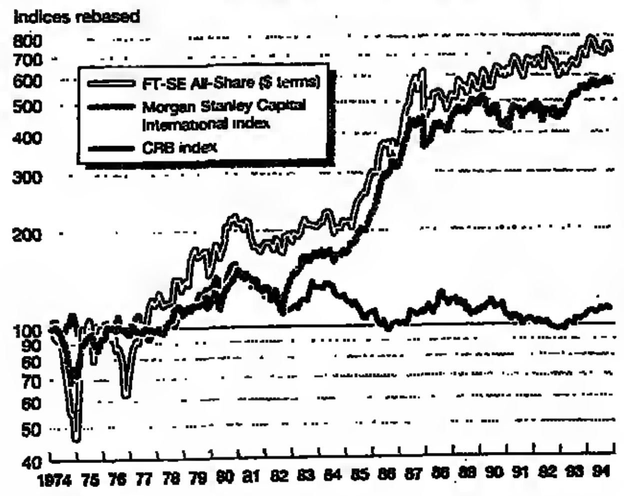
The chart shows that, historically, shares have outperformed commodities (measured by the Commodity Research Bureau's futures index). Thus, while good returns may be had periodically from commodities, private investors should take only a small punt.

Commodities

Commodity Research Bureau Index



Indices rebased



Source: Datastream

How commodity unit trusts have performed

Fund	Size £m	1 yr %	3 yrs %	5 yrs %
Abbey Commod & En	10.5	37.0	59.3	4.5
Allied Dunbar Mtls	9.6	11.5	28.6	11.7
BG Energy	2.1	-13.2	26.1	38.8
Gartmore Gold	11.6	35.0	89.9	64.4
Hill Samuel Natrl Resc	5.3	28.3	55.4	38.5
Mercury Gold & Genrl	392.1	73.0	300.0	250.9
M&G Commod & Genrl	33.3	31.8	69.5	49.2
M&G Gold & Genrl	47.4	37.0	126.7	67.0
NM Gold	2.1	22.2	100.6	32.5
Prov Capitol Gold Tst	28.0	28.3	118.3	-
S&P Commodity Share	56.7	31.2	88.0	74.6
S&P Energy Industries	17.7	-1.4	53.9	45.7
S&P Gold & Exploratn	17.3	51.8	137.4	105.9
TSB Natural Resources	22.9	94.6	171.6	124.9
Waverley Aust Gold	5.9	75.2	231.9	76.9
Average		32.2	109.0	70.3
FT Gold Mines		57.8	67.5	37.6
FT-A World Indx (£)		1.9	41.6	27.1
FTSE-A All Share		3.4	31.6	54.1

The table shows the percentage increase or fall to October 1 1994. Offer-to-bid, net income reinvested. Source: Micropal

FINANCE AND THE FAMILY

New issues

BSkyB heads to market

Dominating the markets this week was the announcemeot oo Thursday of plans by satellite broadcaster BSkyB to go public. The issue. scbeduled tentatively to take place before Christmas, is likely to involve the sale of up to £1bn of new BSkyB shares, or 20 per cent of its enlarged equity, valuing the company at just under £5bn.

After years of losses, the company has become increasingly profitable, posting £176.8m at the operating level in the year to June against £54.1m the previous year.

The proceeds of the issue, to be sponsored by Goldman Sachs and Lazard Brothers, will be used to reduce the group's £1.7bn debt.

The company's four shareholders – Rupert Murdoch's News Corporation; Pearson, publisher of the *Financial Times*; Chargeurs, a French textile company; and UK media and catering group Granada – will benefit from the repayment of the £1.2bn portioo of debt they have given or guaranteed. News, which provided roughly half the shareholder debt, should receive around £500m after the issue.

None of the shareholders intends to sell any shares in tbe flotation. Indeed, Chargeurs plans to buy more shares to prevent dilution of its stake.

□ Biocompatibles International, a researcb company moving into medical equipment manufacturing, issued its pathfinder prospectus on Wednesday. It is expected to have a market value of about £80m and is seeking up to £40m tbrougb the issue of new shares.

The pathfinder, which shows that the company had accumulated losses of £9.77m at the end of June, warns that investment in the company involves a higher than normal degree of risk.

Sponsor to the issue is Robert Fleming and the broker is Smith New Court.

□ The pathfinder was also published for Churchill China, which intends to be the third Staffordshire-based china company to float this year. Hoare Govett is sponsor and broker.

□ Despite investor nervousness about oew issues, Servisair, the independent aircraft and passenger handling company, announced its flotation was fully underwritten at its target price, valuing the company at £54.3m.

□ Calluna, a manufacturer of computer hard disks, announced plans yesterday to float on the Unlisted Securities Market through a £10m to £12m placing.

□ Dealing began in Games Worksbop on Thursday, the sbares opening at 115p and closing at a 3p premium. Commodity trader ED&F Man began trading yesterday, the sbares closing down 8p at 172p.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Chiltern Radio	Mdia	50,000	117,500	1
Drayton Far East	InvT	550,000	742,500	1
Etam	RetG	6,666	17,198	1
Ewart	Prop	2,725,647	1,907,953	1 #
Faupel Trading	Text	30,000	22,200	1
ISA International	Dist	32,000	37,120	1
IoM Stm	Tran	17,000	22,100	1
Stanley Leisure	L&HI	25,000	83,250	1
Wilshaw	Dist	100,000	56,000	1
Land Securities	Prop	50,000	215,000	1 *
PURCHASES				
Allied Colloids	Chem	15,000	18,750	8
BOC	Chem	3,500	24,195	2
Beazer Homes	BCon	12,587	16,197	3
Brixton Estate	Prop	29,202	55,192	4
Coutts Consulting	SSer	20,000	10,000	1
David Lloyd	L&HI	50,000	120,000	1
Hawtin	Divl	1,809,250	343,757	2
Hawtin	Divl	75,000	16,500	1
Hi-Tec Sports	L&HI	25,000	12,000	1
Inchcape	Dist	15,000	63,750	2
Inspirations	L&HI	100,000	120,000	1
Marks & Spencer	RetG	5,000	20,050	1
Nth Ireland Elec	Elec	6,510	24,998	1
Sears	RetG	20,000	21,100	2
Stakis	L&HI	20,000	16,800	1
Storm Group	Mdia	175,000	24,500	1
TI Group	Eng	3,000	10,440	1
Utd Industries	Eng	185,000	29,600	1
Value & Income Tst	InvT	20,000	23,200	1 ‡
Vardon	L&HI	30,000	34,800	1
Wessex Water	Wtr	4,500	27,225	1

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. #Portavo Hldgs. ‡ pension fund. Information released by the Stock Exchange September 26-30 1994. Source: Directus Ltd, The Inside Track, Edinburgh

Directors' transactions

The largest sale of the week took place at Irish property company Ewart where Frank Tughan sold more than 2.7m shares at 70p and theo resigned. The stock was bought by Fortress Hill, a company owoed by Brian O'Connor, chairman and chief executive of Allied Group.

□ Keith Edwards, previously managing director of the wholesale divisioo of ISA International, is another director to have resigned from his job and to sell the majority of his holding at the same time.

□ Shares at Wilshaw, the diversified engioeering and building products firm, have been performing well over the past year, recording a relative outperformance of 68 per cent. The sale by Trevor Brentnall, a noo-executive director, at 55.5p leaves him with 340,000.

□ Lookers. Last week, we noted that directors had been exercising options and selling the resulting holdings. In fact, directors have been net buyers of the stock.

Vivien MacDonald
The Inside Track

RESULTS DUE

Company	Sector	Anncmnt due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS					
Beckman (A) Plc	Text	Tuesday	1.2	2.38	1.2
Bolton Group	Prop	Tuesday	-	-	-
Eleco Holdings	Prop	Thursday	-	-	-
F&C Pep Inv Tst	InTr	Tuesday	-	-	-
Inch Kenneth Kajang	OtSv	Monday	-	8.0	-
Leeds Hldgs	OtSv	Tuesday	-	0.5	-
Lloyds Chemists	ReGn	Wednesday	2.0	5.25	2.7
Lucas Industries	EngV	Monday	2.1	4.9	2.1
Manganese Bronze Hldgs	Eng	Monday	0.5	2.0	1.5
Maunders (John) Group	B&C	Thursday	2.3	2.86	2.45
Scottish Asian Inv Co	InCo	Monday	-	-	-
Sinclair (Wm) Hldgs	OtSv	Tuesday	1.7	5.3	1.7
St Ives	PP&P	Tuesday	1.5	4.0	1.9
Tay Homes	B&C	Monday	1.2	4.65	1.35
Thorntons	ReFd	Tuesday	1.25	2.4	1.45
Throgmorton Dual Tst	InTr	Tuesday	-	-	-
Wescol Group	Eng	Tuesday	-	-	-
INTERIM DIVIDENDS					
Abbeycrest	Text	Thursday	1.2	2.0	-
Aberdeen Steak Houses	LeH	Friday	-	-	-
Aberforth Split Level	InTr	Friday	-	-	-
Abtrust High Inc Tst	InTr	Friday	-	-	-
Abtrust Pref Income	InTr	Monday	3.281	2.906	-
Alexandra Workwear	Text	Thursday	2.1	3.5	-
BNB Resources	SpSv	Wednesday	1.6	3.3	-
Black (A&C)	Med	Tuesday	4.25	9.25	-
Body Shop Intl	ReGn	Thursday	0.75	1.25	-
Bridgend Group	Dist	Thursday	0.1	0.1	-
Brooks Services Group	SpSv	Friday	0.5	1.0	-
Brown (N) Group	ReGn	Tuesday	2.25	5.75	-
Bulgin & Co	E&EE	Tuesday	-	0.25	-
Capital and Reg Props	Prop	Wednesday	0.6	1.0	-
David Brown Group	Eng	Thursday	2.1	4.3	-
Delyn Group	PP&P	Thursday	0.5	1.17	-
Eidos	n/a	Friday	-	-	-
FR Group	Eng	Tuesday	2.46	5.1	-
Fine Decor	HseG	Wednesday	1.0	3.7	-
Gartmore British Inc & Grw	InTr	Monday	-	1.82	-
Goldsmiths Group	ReGn	Monday	-	1.0	-
Hamleys	ReGn	Monday	-	-	-
Ipeco Holdings Plc	Eng	Wednesday	1.3	2.3	-
Martin Intl Hldgs	Text	Thursday	0.4	0.8	-
NB Smaller Cos Tst	InTr	Tuesday	0.94	2.63	-
Pentos	ReGn	Tuesday	-	-	-
REA Holdings	Dist	Wednesday	-	-	-
Scottish Television	Med	Monday	2.156	10.25	-
TR City of London Tst	InTr	Wednesday	1.23	-	-
Tie Rack	ReGn	Friday	-	1.75	-
Time Products	Dist	Wednesday	3.0	5.5	-
Tudor	BdMa	Thursday	-	0.25	-
United Energy	OIE	Thursday	-	-	-
Value & Income Tst	InTr	Friday	2.0	2.0	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. ‡‡ 1st quarterly. ♦ 2nd quarterly. ✦ 3rd Quarterly

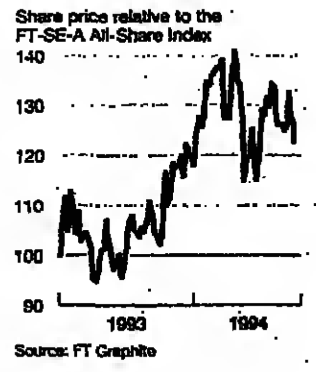
TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated				
Aitken Hume	*55**	*51*	*51*	*29.80*	*Allied Group*
Andrews Sykes	65*	67	67	10.70	Euro Fire Prot.
Attwoods	109	115	109	364.00	Browning-Ferris
Dale Electric	70¼*	72	60	16.00	TT Group
Elswick	18¼	18¼	12	37.70	Ferguson Int'l
Lilliput	160*	160	92	37.20	Stanhome
Low (Wm) ‡	360*	364	180	247.00	Tesco
Plantsbrook	175*	173	165	193.00	SCI
Scholes ‡	250*	253	193	96.10	Hanson
Towles ‡	275*	268	243	4.22	London City
Trans World ‡	181	179	173	70.60	EMAP

*All cash offer. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 7/10/94. §§Shares and cash.

The week ahead

Lucas Industries



Source: FT Graphite

MONDAY: George Simpson presents his first results at Lucas Industries, the automotive and aerospace component supplier, since his arrival from Rover to take over as chief executive. The revival of automotive busioess suggests 1993-94 pre-tax profits of around £65m against £50.3m. with total dividends maintained at 7p. But Simpson is taking Lucas into another round of re-structuring, attacking costs and reducing the product range. This could mean that the group will make provisions which cut into the earnings aod dividend prospects.

MONDAY: Scottish Television's pre-tax profits are expected to have risen from £3.13m to £3.9m in the first half, but advertising revenues could be weak. Analysts will look for a response to this week's disclosure that Mirror Group Newspapers has increased its stake from 15 to 20 per cent.

TUESDAY: St Ives, the UK's largest independent printer, is forecast to announce a rise in annual pre-tax profits from £22.1m to roughly £25m. Magazine and book printing should show some recovery, but there are coocerns that large customers may try to lower printing costs to counter higher paper prices.

WEDNESDAY: Lloyds Chemists, which runs the UK's second-largest chain after Boots, is expected to annouoce annual pre-tax profits of around £56m. The City is also looking forward to a sharp increase in the total dividend, possibly to more thao 9.5p.

WEDNESDAY: Gardner Merchant, the largest contract caterer in Europe, anoounces its interim results. But plans to float the group appear unlikely to go ahead until next spring. Last year the group, bought by the management from Forte for £402m at the end of 1992, made annual profits of £46.9m on £1bn turnover.

THURSDAY: Body Shop International, the UK-based natural cosmetics retailer, will attempt to forget a summer of criticism over its ethical credentials and focus attentioo on its trading prospects as it annouoces interim results. Analysts are looking for a healthy increase in pre-tax profits from £10m to about £11.5m. Total sales are forecast to have increased 15 per ceot, with those in the US about 30 per cent ahead.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Barry Wehmiller	Eng	Jul	5,100	(7,100)	7.5	(11.0)	6.7	(6.7)
Betacom	E&EE	Jun	203	(516)	0.3	(0.83)	-	(-)
British Building	B&C	Jun	2,510	(2,310)	16.7	(14.2)	8.0	(8.0)
Chesterton	Prop	Jun	5,200	(3,600)	7.1	(5.8)	-	(-)
Ex-Lands	LeH	Jun	1,270	(914)	0.98	(1.06)	0.42	(0.35)
Finelist Group	Dist	Jun	2,450	(1,010)	8.2	(3.0)	1.5	(-)
Fortnum & Mason	ReGn	Jul	2,310	(2,010)	368	311	110.0	(100.0)
Galliford	B&C	Jun	5,880 L	(412)	-	(0.33)	1.0	(-)
Groupe Chez Gerard	LeH	Jun	1,670	(959)	7.28	(4.84)	-	(-)
Manchester United	LeH	Jul	10,780	(4,200)	61.1	(24.3)	21.0	(19.5)
Novo Group	SpSv	Mar	1,290	(1,810)	1.74	(3.82)	0.2	(1.3)
Power Corp	Prop	Mar‡	13,400 L	(104,860L)	-	(-)	-	(-)
Prestwick	E&EE	Aug	1,250 L	(3,970 L)	-	(-)	0.5	(-)
Raine	B&C	Jun	13,140	(10,810)	4.34	(4.66)	2.0	(1.0)
Renishaw	Eng	Jun	8,200	(7,140)	12.0	(10.3)	4.4	(4.0)
Shepherd Neame	Brew	Jun	5,110	(4,710)	60.2	(54.4)	19.0	(17.5)
Waterman Partners	SpSv	Jun	200	(124)	0.3	(0.1)	1.0	(1.0)
Wetherspoon (JD)	Brew	Jul	6,480	(4,170)	18.2	(14.1)	6.6	(5.4)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Arcadian Intl	B&C	Jun	116	(471 L)	-	(-)
Asda Property	Prop	Jun	4,430	(2,470)	0.75	(0.7)
Ash & Lacy	Eng	Jul	2,020	(1,570)	2.5	(2.5)
Atlas Converting	Eng	Jun	1,860	(1,380)	7.0	(7.0)
Austin Reed	ReGn	Aug✦	1,840	(930)	2.0	(2.0)
Badgerline Group	Tran	Jun	5,390	(2,560)	1.5	(-)
Bank of Scotland	Bank	Jun	213,200	(117,600	2.13	(1.87)
Beradin Hldgs	OtSv	Jun	204	(249)	-	(-)
Betterware	ReGn	Jul	3,900	(7,600)	0.85	(0.65)
Bilton	Prop	Jun	9,060	(8,990)	2.89	(2.84)
Bisichi Mining	Extl	Jun	193	(102)	-	(-)
Boosey & Hawkes	LeH	Jun	1,500	(1,410)	1.32	(1.2)
CI Group	Eng	Jul	337	(905)	0.2	(0.4)
Camellia Group	OtFn	Jun	6,650	(6,490)	14.0	(13.0)
Cannon St Invs	Dvln	Jul✦	217	(4,830)	-	(-)
Chiroscience Group	Phrm	Aug	3,750 L	(1,330 L)	-	(-)
Darby Group	n/a	Aug	565	(379)	0.9	(0.5)
Deneltron Intl	E&EE	Jun	365	(251)	0.5	(0.5)
Doeflex	Chem	Jun	950	(725)	1.6	(1.6)
Dolphin Packaging	PP&P	Jun	1,150	(1,130)	1.7	(1.7)
Etam	ReGn	Aug	4,740	(2,410)	1.95	(1.75)
Fiscal Properties	Prop	Jun	562 L	(164)	0.624	(-)
Gales (Frank G)	Dist	Jun	1,060	(1,150)	-	(-)
Grampian Hldgs	Phrm	Jul	3,590	(2,050)	1.7	(1.7)
Helene	Text	Jun	1,260	(975)	0.65	(0.65)
Herring Baker Harris	Prop	Jul	306 L	(1,060)	-	(0.5)
Hewden-Stuart	B&C	Jul	16,200	(9,100)	0.825	(0.75)
Hi-Tec Sports	LeH	Jul	7,100 L	(776)	1.6	(1.25)
Hughes (TJ)	n/a	Jul	333	(115)	0.8	(0.75)
Ibstock	BdMa	Jun	4,360	(17,100 L)	0.5	(0.5)
Johnston Group	BdMa	Jun	2,410	(393 L)	3.5	(1.0)
Lamont Hldgs	Text	Jun	5,620	(4,050)	3.65	(3.5)
London & Assoc Inv	InTr	Jun	865	(713)	0.05	(0.05)
Navan Resources	Extl	Jun‡	549	(297)	-	(-)
Plant & Gen	OtSv	Jun	971	(808)	1.0	(0.75)
Porth Group	OtSv	Jun	2,080	(1,890)	-	(-)
QS Holdings	ReGn	Jul	2,220	(1,680)	1.56	(1.56)
Radamec	E&EE	Jun	421	(335)	0.7	(0.5)
Sherwood Group	Text	Jul	5,960	(7,760)	1.15	(1.0)
Silentnight Hldgs	HseG	Jul	4,110	(5,220)	2.75	(2.75)
Singapore Para Rub	OtSv	Jun	146	(216)	-	(-)
Trafficmaster	Tran	Jun	541 L	(468 L)	-	(-)
VCI	LeH	Jun	67	(4,030)	-	(-)
Walker Greenbank	HseG	Jul	4,140	(3,350)	1.3	(1.2)
Watts Blake Bearne	Extl	Jun	5,130	(4,140)	3.9	(3.5)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † Net asset value per share. ‡ Irish punts and pence. ⁂ 3 month figures. ф US dollars and cents. §§ Net asset value. ♦ 10 month figures. ✦ 28 week figures. ‡‡ Correction, listed as a private placing in last weeks issue.

RIGHTS ISSUES

Johnston Press is planning a 3-1 scrip issue.
Union Square is to raise £9.6m via a 1-1 rights issue @ 5p per share.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Baris Holdings is to raise £1.72m via a placing and 9-8 open offer of 8m shares @ 25p.
Biocompatibles Intl is coming to the market via a flotation.
Churchill China is to raise £15m via a placing.
Filtronic Comtek Plc ‡‡ is coming to the market via a placing of £25m.
Sindall is to raise £2.6m via a placing and open offer of 4.4m shares @ 60p.

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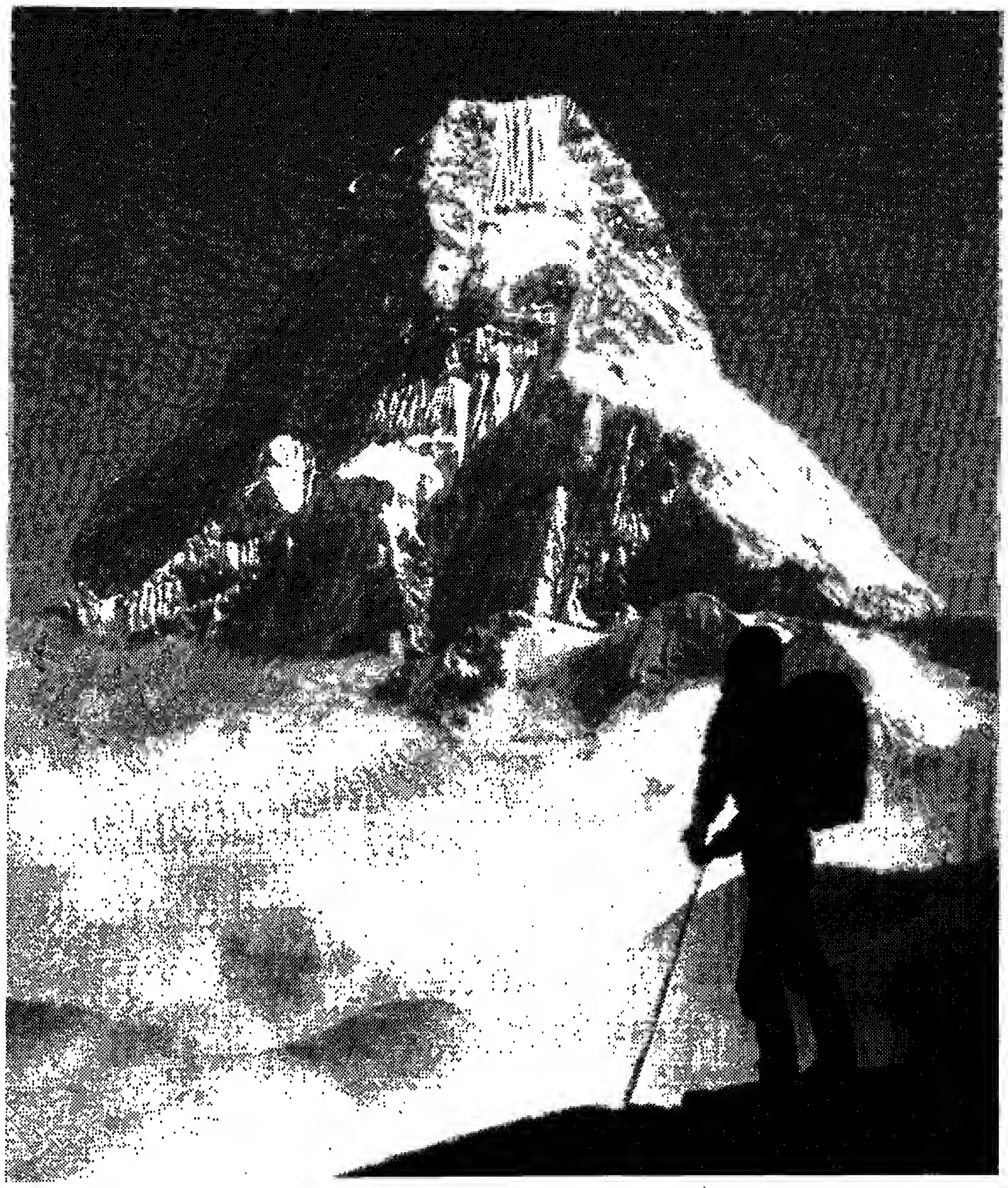

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Now Perpetual offers you an exciting new way to enjoy the tax-free returns of a PEP, while taking advantage of our award-winning international investment expertise.

The Global Option allows you to construct your own portfolio from a range of fourteen unit trusts spanning the UK, Europe, America and the Far East.*

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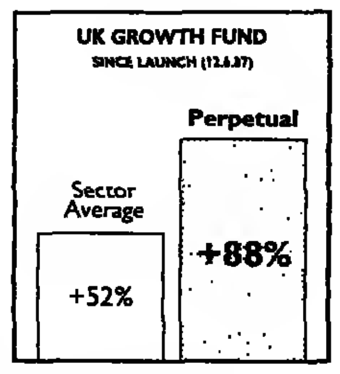

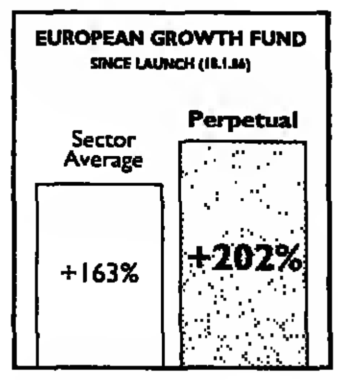

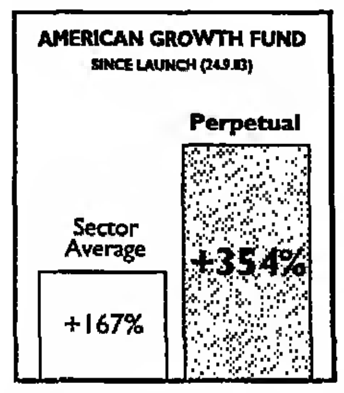

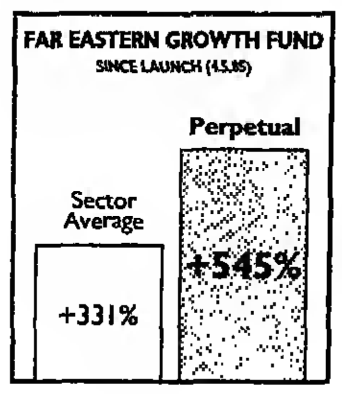

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*Subject to Inland Revenue limitations. Please refer to Perpetual's PEP brochure for more details. All statistics are to 1st September 1994 and are on an offer-to-bid basis with gross income reinvested (source: Micropal). Over the last five years the percentage rise of the Funds featured in the charts is as follows: UK Growth Fund 79%, European Growth Fund 49%, American Growth Fund 109%, Far Eastern Growth Fund 123%, and 9 out of 10 Perpetual Funds are in the top 25% of their respective sectors. Current tax levels and reliefs are liable to change and their value will depend on your individual circumstances. The value of an investment and the income from it can go down as well as up (this may partly be due to exchange rate fluctuations) and you may not get back the amount invested. Past performance is not necessarily a guide to future performance.

FINANCE AND THE FAMILY

Lloyd's: who wins what?

Ralph Atkins analyses this week's High Court 'victory' for Names

The anger of hard-hit Lloyd's Names was veoted a little this week. The High Court's ruling that Gooda Walker Names – among the worst-affected members of the London insurance market – had been victims of negligent underwriting during the late 1980s reinforced many Names' arguments that some professionals who handed their mooey were incompetent and culpable.

Beyond the sense of vindication, however, the benefits that aggrieved Names can reap following Tuesday's ruling are not clear. Although Mr Justice Phillips, the jndge, was colourful in criticising the Gooda Walker underwriters, other cases in the legislative pipeline may not prove as strong.

Phillips described the insurance "spiral" in the Gooda Walker case, by which the underwriters agreed to cover others against excessive losses from catastrophes, as "like a multiple game of pass the parcel". His criticisms may encourage other "spiral" cases, particularly Names on the Feltrim syndicates whose case begins later this month. Bnt they do not set a precedent.

The next batch of cases, for instance, concern a different set of losses – those arising from so-called long-tail liabilities: claims related to US asbestosis and pollntion awards in the United States. These affect policies underwritten by syndicates as far back as the 1940s.

Moreover, when Lloyd's last year appraised the strength of 31 legal cases pending in its attempts to forge a settlement between all sides embroiled in legal challenges, Sir Michael Kerr, a former High Court judge, found some were "weak" or even "hopeless".

Even when Names bave a strong case, the justice system is unable to offer quick recompense. Gooda Walker is a good illustration: although the action group was quick to organise and had a relatively swift passage throngh court, it will still be months before the level of compensation is agreed. An appeal could delay any deal until next summer. By then, legal action would have taken more than two years to reach a conclusion. Otber action groups do not even have a date for their cases to begin; many may have to wait until the end of the century.

Another reason for *caution* in interpreting the Gooda Walker verdict ls that damages awarded may fall well sbort of losses incnrred by Names. Phillips said *damages for the Gooda* Walker Names should he based on losses sustained hy the negligent conduct, rather than total losses. The action gronp estimates *that* will be worth £504m (compared with its claim of £629m), hnt lawyers for the defence describe that as speculative.

One little-noticed featnre of the Gooda Walker case, however, was the High Court's ruling that the Names involved should have some protection against losses resulting from catastrophes bnt whicb have not yet been reported.

Yet, even if the Names win legal backing for compensation, they may not get their money back. This is because the Lloyd's agencies they are suing may not have sufficient "errors and omissions" cover from which claims for negligence are paid. The best estimates in the Gooda Walker case suggest about £250m-£300m might be available – much of it underwritten by other Lloyd's Names. Io total, E&O *cover for agencies* being sued probahly totals about £1bo – cumpared with total claims of ahout £3bn.

In practice, that could mean some *groups of* Names receiving little more than they would have under Lloyd's £900m settlement offer which was rejected earlier this year.

Josceline Grove, secretary of the Secretan Names Association – which is claiming £60m on behalf of 962 individuals in a case still some way down the legal queue – admits "it is a race *into* court and the first groups could scoop the pool, leaving nothing for the rest".

Power but no glory

Did the electricity regulator get it right after all? Professor Stephen Littlechild drew strong criticism two months ago when he announced a set of price controls on regional electricity companies that sent share *prices soaring to record* levels. The view among politicians was that he had been too soft and even the City acknowledged he was less tough than he could have been.

In the past six weeks or so, however, the sbares bave under-performed. In some cases, they have sunk to levels below wbere they were immediately before Littlechild's announcement. So, after three years of largely uninterrupted growth, has the bubble burst?

The question will have particular concern for shareholders in Scottish Power and Scottish Hydro-Electric. When price controls were imposed on them last week, shares fell immediately as the market *judged* they had been given a tough time by the regulator.

National Power and PowerGen, and Northern Ireland Electricity, have been *feeling* the breeze, too. Although not subjected to regulatory reviews recently, they have been hit by falls in the sector and the market.

So what, then, are the prospects for electricity companies? In general, they remain at least reasonably good but there are some clouds around. The Labour party is perhaps the biggest threat. Although it seems to have ruled out re-nationalising the companies, it could impose a windfall tax on the profits of privatised utilities – a possibility confirmed this week hy Gordon Brown, the shadow chancellor.

Although change is much less likely under the Tories, it cannot be ruled out. The government appears increasingly sensitive to criticism that the utilities, particularly electricity, are not policed tightly enough, and a cabinet committee is examining regulation.

Politics apart, there is plenty of potential to keep shareholders smiling in the medium to long term, so reinforcing the arguments of Littlechild's critlcs. Some of the uncertainty surrounding most of the companies recently will lift in the next few months, particularly in tha case of the regional electricity companies (RECs) In England and Wales.

The main doubts for REC shareholders have centred on the National Grid, the transmission company which the companies plan to float next summer. The RECs are putting considerable effort into minimising the capital gains tax they will have to pay.

The outcome of talks with the Inland Revenue could make a difference of up to £1bn in their bill, although most analysts believe the market has made allowanca already for the worst scenario and that share values will grow when the details of flotation have been decided.

Sorting out the National Grid will allow the companies to press ahead with other ways of improving share earnings. Most have started share huybacks but completion will, in most cases, have to wait until after the results season, which starts next month and ends in mid-December.

Analysts expect the results, from the first half of the year, to produce pleasant surprises. With Littlechild's review over, dividend growth is more likely to exceed expectations than disappoint them. Indeed, the City is expecting at least 6 to 8 per cent real growth a year from all RECs for the rest of the decade.

For all of these reasons, analysts view the shares as good value. But there is less enthusiasm for the Scottish companies. Privatised later than the RECs, they have always been squeezed by tougher controls. Hopes that the regulator might ease these significantly in his review were dashed.

The Scots have no National Grid to sell and no immediate plans to buy hack shares. Most analysts think they have less scope to increase dividends, even if real growth ls likely to be 5 per cent minimum a year.

Even so, some analysts feel the Scottish shares have fallen too much since the review; they point out that both companies have potential to increase their unregulated earnings by exporting power to the rest of the UK.

Nonetheless, the companies – Hydro, in particular – are struggling to overcome the feeling that their prospects are less exciting than those of the RECs.

National Power and PowerGen are considered to have better basics although tbeir shares have heen unsettled recently. One reason was the uncertainty created by the government's sale next February of its remaining 40 per cent stakes in the companies.

Another is the revival in the dash for gas hy rivals: the more independent gas-fired stations that come on stream, the less room there is in the market for the two companies' older, coal-fired stations.

A further problem ls that they have agreed a deal with the electricity regulator under which they will try to sell off 6,000mw of capacity by the end of next year. Failure to do so could cause them to he referred to the Monopolies Commission, although that seems unlikely.

But the two companies do have strong balance sheets and above-average dividend growth is expected of both: indeed, some analysts believe they can increase dividends hy more than 15 per cent a year.

Northern Ireland Electricity's image as sector star has been dented following the reviews involving the mainland companies. While these were under way, some investors bought NIE as a hedge against tough price controls in England, Scotland and Wales.

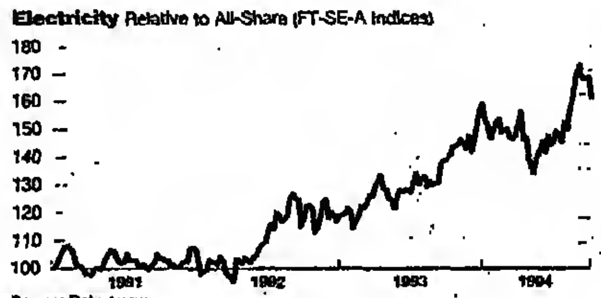
Still, NIE continues to be regarded highly and, as it was privatised only last year, many of the rewards of cost-cutting lie ahead.

Michael Smith

Electrifying facts

	Pre-tax profits Year end	£m	Market value £m	Dividend yield %
East Midland Electricity	3/94	51.2	1,562.3	3.96
Eastern Group	3/94	176.8	1,912.7	3.87
London Electricity	3/94	186.5	1493.7	4.11
Manweb	3/94	126.3	904.5	3.99
Midlands Electricity	3/94	195.4	1,514.0	4.06
National Power	3/94	677.0	5,995.1	3.34
Northern Electricity	3/94	128.7	931.6	4.10
Norweb	3/94	178.3	1,300.6	3.82
Northern Ireland Electricity	3/94	74.9	597.5	3.92
Powergen	4/94	476.0	4,173.7	2.98
Scottish Hydro-Electricity	3/94	164.2	1,207.9	5.02
Scottish Power	3/94	351.1	2,717.3	4.65
Seeboard	3/94	131.7	1,013.2	3.64
South Wales Electricity	3/94	104.0	780.3	4.17
South Western Electricity	3/94	116.8	910.7	3.97
Southern Electricity	3/94	222.0	1,937.7	3.97
Yorkshire Electricity	3/94	149.0	1,447.8	4.23

Electricity Relative to All-Share (FT-SE-A Indices)



Source: Datastream

FINANCE AND THE FAMILY

A capital way to make money

*But those who venture can risk losing out in a volatile market, says **Bethan Hutton***

VENTURE STORY

This year's highly-publicised flotation of 3i, the venture capital investment trust, attracted many private investors to venture capital for the first time. But 3i is only the latest – and largest – addition to a long-established investment trust sector.

Micropal lists 25 funds in the venture and development capital sector which invest in small businesses in their start-up phase. or provide extra capital to more established (but generally still unquoted) companies which need money to expand or to fund a management buy-out or buy-in.

Many funds are tiny – 10 have less than £15m under management. Until 3i came to market, Electra was the largest venture capital investment trust, with assets of £574m, compared with 3i's £1.9bn.

The characters of the funds differ as much as their sizes. There are geographic specialists like Abtrust Scotland which, as its name suggests, invests mainly north of the border; and the East German investment trust, which buys privatised East German enterprises.

Several of the general funds – Electra, Ivory & Sime Enterprise, Foreign & Colonial Enterprise – have substantial holdings in the US as well as the UK. Pantheon International Participations is unique in the sector as it prefers to invest through other venture capital funds.

Risk levels also vary widely. A fund with a concentrated portfolio of a few dozen investments will be more risky than one like Pantheon, which has indirect stakes in several hundred companies, or 3i, with more than 3,400. Funds specialising in start-up capital are riskier than those providing development capital to more established businesses.

Likewise, performances can be poles apart: Micropal's 10-year performance figures for £100 invested in venture capital trusts range from £430 to £61.

So, the choice is broad. But it can be difficult for private investors to know what they are buying, not only for what each trust aims to do but also in terms of value for money.

The usual measure of whether an investment trust is cheap or expensive is whether its share price is at a discount or premium to net asset value. The problem is that the accuracy of the discount/premium rating depends on how accurate the calculation of asset value is.

Asset values of investment trusts with portfolios of quoted shares can easily be re-calculated every day, but unquoted investments are another matter – their market value is difficult to determine and highly subjective.

Venture capital investment trusts tend to value their unquoted assets two or four times a year.

In between valuations, it is impossible to tell if the asset value is rising or falling – companies in the portfolio may have been awarded lucrative contracts or be experiencing financial difficulties, but this will not be reflected in the fund's quoted asset value.

Periodic re-ratings can be quite dramatic, particularly in trusts nearing their winding-up dates which are selling off stakes and realising large profits.

3i, for example, values its portfolio twice a year. The last valuation was at the end of March; the valuation from the end of September is due to be released next month.

So, although 3i shares were, until recently, trading at a premium to what analysts estimated was asset value, no one knew for sure whether that was the case.

Recently, 3i's presumed premium rating has been eroded, as investors have taken profits – up to 20 per cent for those selling at the 336p peak. Indeed, some brokers have been recommending that clients sell 3i and buy other venture capital trusts.

Peter Walls, investment trust analyst at Credit Lyonnais Laing, says: "My belief is that, in asset value terms, one would see better growth and better performance from the likes of Murray Ventures or Electra for the next two or three years than one will from 3i – they are trading on relatively generous discounts."

But Iain Scouller, investment trust analyst at S.G. Warburg, points out: "Some people have been talking about switching out of 3i into Electra but, looking at the underlying assets of those trusts, they are very different." 3i's portfolio is much more diverse, and more UK-orientated, than Electra or the other large, general venture capital trusts.

Still, if 3i's profile is what you want over the long term, you should stick with it; you will not get the same from another trust. But if you want to put new money into venture capital, or are prepared to go for a riskier fund, you will probably find better value elsewhere.

Venture capital is not for everyone. It is a highly volatile and potentially very profitable area – but it can lose investors' money all too easily. Most advisers recommend treating venture capital funds with caution, and only investing if you have a broad portfolio of more mainstream investments already.

Canterbury tales

University life is marked by borrowing and scrambling to make ends meet. Most students are familiar with the ritual of requesting an overdraft or wrangling a loan from parents or the government. Now, students at Canterbury University in the south of England are being offered an alternative to the traditional forms of finance.

The Canterbury Local Exchange and Trading System (LETS), a community bartering scheme in which members trade goods and services such as house cleaning, gardening and bicycle repair for trade credits, is inviting students to offer their skills in exchange for an opportunity to stretch their budgets.

Students will pay £2 to join and will be assigned an account denominated in the local trading unit – which in Canterbury, appropriately, is called the "tale".

They will be given a cheque book and a directory of services provided already by the 200 members in the Canterbury pool. Once they add their talents – be it baby-sitting, computer skills or aromatherapy – to the list, they can start trading. A central record-keeper debits or credits each member's account after each transaction.

LETS have become increasingly popular in Britain, where there are more than 200 schemes. The first was set up in Canada in the 1970s; since then they have spread to the US, Australia and continental Europe.

Joan Culloty, of the Canterbury LETS, says: "It will stretch students' horizons and make it easier for them to survive." While believing they will not abuse the system, she admits: "Some of them may find it difficult to earn their payments. But we trust them to earn and spend in a reasonable fashion."

Motoko Rich

FINANCE AND THE FAMILY

Hurry for a quick fix

Fixed-rate mortgages have been rising this year as the cost of borrowing on the wholesale money markets has risen. But while a good number of fixed rates remain available, Ian Darby, of mortgage-broker John Charcol, believes they will disappear quickly.

"There is still a lot of old money in the markets, but new money priced on the post-base rate rise is more expensive," he says. "I don't think the old money will be around for more than another week."

Five-year fixed rates of 6.99 per cent, available at the beginning of the year, have given way to very resistable new offers. The latest, launched this week, includes a three-year fixed rate of 9.5 per cent from Cheltenham & Gloucester; a four-year fix from Woolwich of 9.49 per cent; and a 4½-year fix (to February 28 1999) from Barclays bank at 9.75 per cent.

The table shows some of the better rates available, including five-year fixes of 8.15 per cent from the Britannia and Lambeth building societies. But you need deposits of 40 or 25 per cent respectively.

As long-term money becomes expensive, the choice for borrowers is likely to be between a shorter-term fixed rate or a discounted variable rate.

Since interest levels are now on the way up, taking a short-term fix means you can be relatively sure you will not be undercut by lower mortgage rates. The standard variable rate is now just over 8 per cent so the two-year, 4.95 per cent fix from Charcol looks attractive.

Always check that the fees on a fixed rate are not too high and try to avoid mortgages tied to compulsory insurance – you could well find cheaper insurance elsewhere.

Check, too, that the mortgage still applies if you move house within the fixed rate period, since you do not want to have to pay the early redemption penalties which are always attached to fixed-rate mortgages.

Lenders have been trying to wean borrowers off fixes and on to their variable rates by offering discounts and cash-back offers. Discounts tend to represent better value – the lender reduces its variable rate for a specified period by a set proportion.

The table shows that Northern Rock is offering a 5.25 percentage point reduction until the beginning of 1996. Since its variable rate is 8.15 per cent, borrowers will have to pay a mortgage rate of only 2.89 per cent until then (or 5.25 points lower than the society's variable rate if it changes).

"Lenders are waging a discount war," says Darby. "If you want a variable rate, then a discount is very good value. But if you are on a five-point discount for a year, and base rates increase again, you could find yourself moving from 3 per cent to 9 per cent in the space of a month."

If you want to avoid that kind of shock but still want a discounted rate, Allionce & Leicester is offering a smaller discount of 1.6 percentage point spread over three years.

An alternative is to accept a cashback offer instead of a discount. Royal Bank of Scotland has just launched an extremely competitive variant on the standard cashback offer of "take out a mortgage with us and we will give you £££ cash up-front".

Borrowers will receive from the bank the equivalent of their first regular monthly payment (to a maximum of £1,000) every year during the life of the mortgage. The mortgage is available on repayments as well as interest-only mortgages backed by an endowment, personal equity plan or pension. The early redemption penalty is one month's interest in the first three years.

Remember, however, that the cashback could be taxable.

Scheherazade Daneshkhu

Best Mortgage Buys: Fixed and Discount

Fixed Rates

Lender	Rate%(APR)	Fix until	Max adv.	Fee/RP	Comp b/c?
Northern Rock	5.49 (6.6)	1/6/96	95%	£250/4mts	Yes
John Charcol	4.95 (5.1)	1/7/96	95%	£295/3mts	No
National Counties	7.25 (7.7)	1/10/97	90%	£275/3mts	No
Britannia	8.15 (9.0)	1/9/99	60%	£275/6mts	Yes
Lambeth	8.15 (9.4)	1/9/99	75%	£250/6mts	Yes

Discount Rates

Lender	Rate%(APR)	Max adv	Discount until	Comp b/c?
Northern Rock	8.14 (8.4)	90%	2% to 1/1/98 =6.14%	Yes
Northern Rock	8.14 (8.4)	90%	5.25% to 1/1/96=2.89%	Yes
Bank of Ireland	8.05 (8.4)	90%	5.1% to 1/11/95=2.95%	No
Principality	8.14 (8.5)	75%	5.14% to 1/11/95=3.0%	Yes
Alliance & Leicester	8.10 (8.5)	95%	1.6% for 3 yrs=6.5%	No

First Time Buyers: Fixed and Discount Rates

Lender	Rate%(APR)	Max adv	Discount until	Comp b/c?
National & Provincial	1.75 (1.8)	90%	Fixed to 1/8/95	No
Yorkshire	1.90 (2.1)	95%	Fixed to 1/8/95	Yes
Northern Rock	8.14 (8.3)	90%	5.25% to 1/1/96=2.89%	Yes
Greenwich	8.10 (8.7)	95%	4.7% for 1 yr=3.4%	None
Alliance & Leicester	8.10 (8.5)	95%	1.6% for 3 yrs=6.5	No

Source: John Charcol

Top annuity rates

An annuity provides guaranteed income for life in return for a lump sum investment. PURCHASED LIFE ANNUITIES are bought by people wanting extra regular income. Rates are attractive for older people. The annuity income is not fully taxable. The table shows rates net of 25 per cent income tax. Certain rates include "capital protection" – allowing the capital invested – less instalments paid to you – to be returned to your estate when you die.

Without capital protection		Without capital protection	
Male age 70	**Annuity**	**Female age 70**	**Annuity**
RNPFN	£12,309.36	Canada Life	£10,603.44
Standard Life	£12,054.36	RNPFN	£10,473.12
Canada Life	£12,053.52	Standard Life	£10,353.84
With capital protection		**With capital protection**	
Male age 70	**Annuity**	**Female age 70**	**Annuity**
RNPFN	£10,987.56	Canada Life	£9,789.60
Equitable Life	£10,901.64	Sun Life	£9,770.42
Standard Life	£10,775.78	RNPFN	£9,746.18
Without capital protection		**Without capital protection**	
Male age 75	**Annuity**	**Female age 75**	**Annuity**
RNPFN	£14,750.52	Canada Life	£12,524.52
Standard Life	£14,496.12	RNPFN	£12,426.84
Canada Life	£14,291.16	Standard Life	£12,284.16
JOINT LIFE - 100% SPOUSE'S BENEFIT			
Without capital protection		**Without capital protection**	
Male age 68		**Male age 70**	
Female age 65	**Annuity**	**Female age 68**	**Annuity**
Canada Life	£8,508.60	Canada Life	£8,994.48
Sun Life	£8,440.09	Sun Life	£8,872.23
Royal Life	£8,325.76	Standard Life	£8,820.36

Payments are monthly in arrears, without a guarantee period and without escalation. Rates are at 4 October 1994. Figures assume an annuity purchase price of £100,000 and are shown net after tax. A tax rate of 25% has been applied. RNPFN annuities are available only to nurses and allied workers. Source: Annuity Bureau 071 620 4090.

FINANCE AND THE FAMILY

Don't delay that will

Scheherazade Daneshkhu explains the benefits of making proper provision

Only one-third of UK edults bave made a will. To spur the rest, Make a Will week, an annual promotion organised by the Law Society, starts on Monday, October 17.

Married people tend to assume everything will pass to their spouse when they die – but this is not always so, as the chart shows.

In broad terms, if you die without a will and leave an estate worth more then £125,000 (in England and Wales), it will be divided betweeo your spouse and children (sometimes parents if there are no children).

This can be a problem if much of the estate's value is concentrated in the family home – the spouse might have to sell it to satisfy other claimants.

People who stand to lose most are unmarried partners who survive the person with whom they lived. They have no rights under the intestacy laws although, if they are a dependant, they may be able to claim through the courts.

There are three distinct elements in making a will:

■ Appointing exeentors to handle your affairs. Usually, these will be trusted relatives or friends. If you die intestate, your next of kin will have to do the job – even if they are reluctant at such an upsetting time.

Try to avoid appointing e professional, such as a solicitor or bank. They are likely to be expensive and the family could find it difficult to control them if it is unhappy with their service. A non-professional executor can always appoint e solicitor to help, anyway.

■ Prescribing powers for trustees. If you have children under 18, you must have trustees to handle their affairs – although the executors can fulfil this role. How much power the trustees should have is for you to decide.

■ Distributing the property. This should be quite straightforward so long as you have calculated the size of your estate and know where you want your possessions to go. But remember to revise the will if your financial or personal circumstances change significantly, or a beneficiary dies.

Where sbould you have the will drawn up? The options are wide, ranging from a trip to the stationer for a do-it-yourself pack to a solicitor's office. But research by the Consumers' Association – publisbed this week in its magazine, *Which?* – found that one in five wills was of poor quality, with sloppy drafting.

Tbe association suggests shopping around for quotations, working out figures beforehand, and getting the person drafting tbe will to explain any jargon they might use. Always check the will after it has been drafted.

□ Solicitors came out best in the survey. Of tbe 31 wills drawn up by them, six were deemed good and 20 reasonable, but five were poor. Quality of service can vary considerably and is not elways related to how much you pay – anything between £23.50 and £117.50, according to the association.

Solicitors also can guide you on inharitance tax but the costs for this will push up the bill; ask for an estimate first. The best are likely to be found through personal recommendation. If you are unhappy, you can turn to the Solicitors Complaints Bureau*.

□ Banks and building societies. The main problem bere is that most banks iosist on being named executor and, since their fee tends to be a fixed percentage of the estate, they can be very expensive.

The survey found that of the 10 wills given to banks and building societies, three were good, five reasonable and two poor. It also found incompetence and lengthy delays in executing wills.

□ Will-writing services. Of the six firms surveyed by the association, four produced poor wills while those from two others were no more than reasonable. But these often are franchise operations and qualifications are not needed to provide such e service. Moreover, tbey are unregulated – there is no point of redress for unhappy clients.

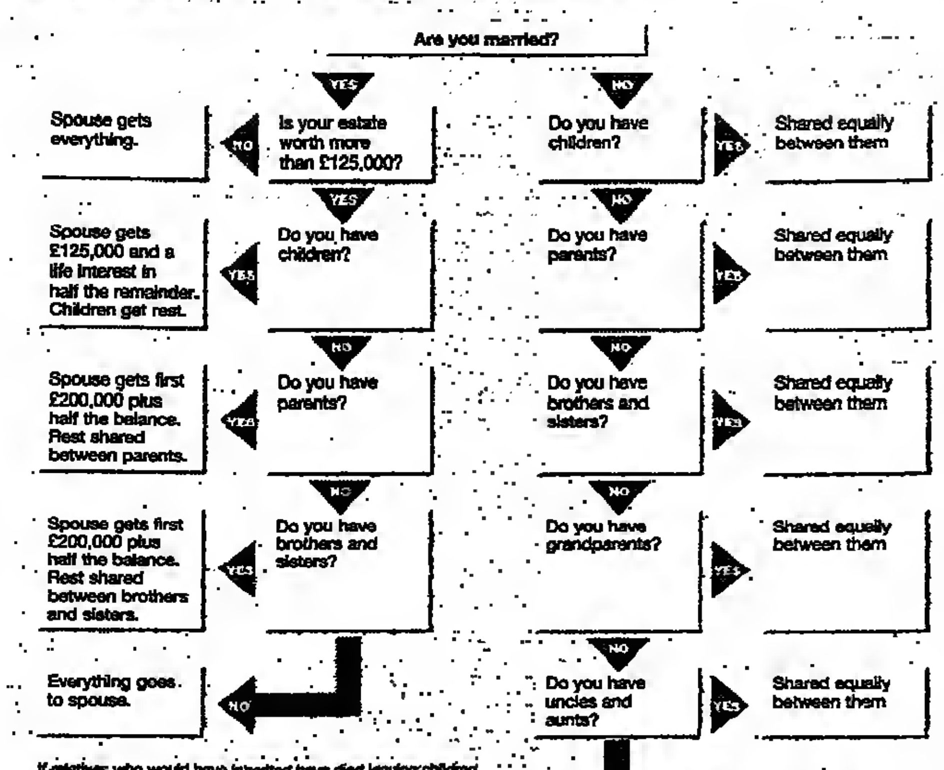
□ Life insurance companies. Some of these, or independent financial advisers, may offer "free" will-writing services, but be wary – this could be a marketing ploy to sell you something else.

The survey tried out only three life companies, however. Two drafted reasonable wills. The third did not draft one after tbe client refused to buy any life products.

□ Do-it-yourself packs. These may seem an easy option but you can miss out on good advice, whicb could cause unnecessary complications after your death.

**Solicitors Complaints Bureau, Victoria Court, 8 Dormer Place, Leamington Spa, Warwickshire, CV32 5AE. Tel: 0926-820 082. Other complaints: Banking Ombudsman, 70 Gray's Inn Road, London WC1X 8NB (071-404 9944); Building Societies' Ombudsman 35-37 Grosvenor Gardens, London SW1X 7AW (071-931 0044).*

What happens if you don't make a will?



If relatives who would have inherited have died leaving children, the children will normally inherit their share. Spouse will normally get all personal possessions as well as above.
NB This table is an outline of the rules for England and Wales.
Source: Consumers' Association

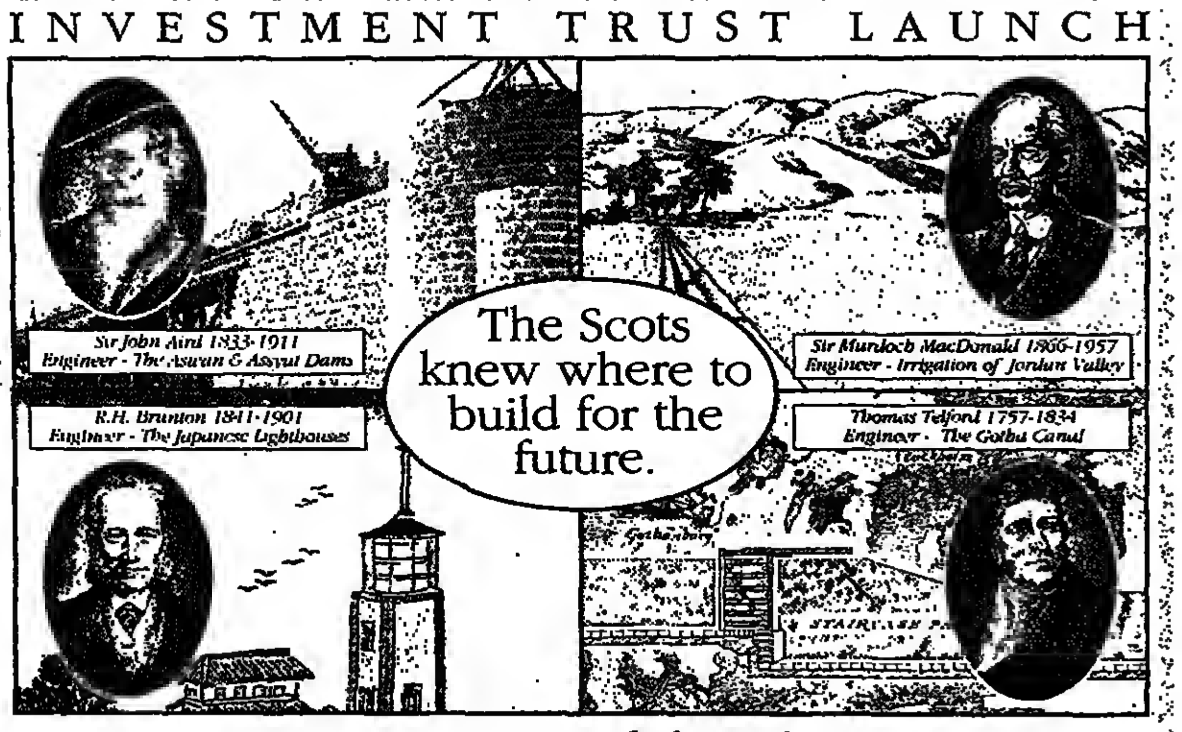
NEW INVESTMENT TRUST LAUNCHES

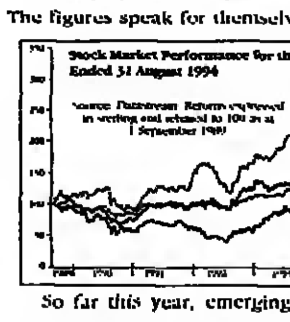
Manager (Telephone)	Broker	Sector	Warrants	Targets: Size £m	Targets: Yield %	PEP Qual?	Savings Scheme	Issue Price p	Minimum NAV p	Outside PEP: Minimum Invst. £	Outside PEP: Annual Change %	Inside PEP: Minimum Invst. £	Inside PEP: Annual Change %	Offer Period
■ BZW Commodities Trust BZW (0500 202021)	de Zoete & Bevan	Commodities	1:5	100	n/a	No	No	100p	96.5p	£5,000	1.25	n/a	n/a	6/10/94-20/10/94
A Jersey-based, London-listed fund, aimed mainly at institutions but which may appeal lo larger pnvate investors														
■ Fidelity Special Values Fidelity (0800 414161)	SG Warburg	UK Growth	1:5	30+	n/a	Yes	Yes	100p	95.5p	£1,000	0.95	n/a	n/a	19/10/94-9/11/94
New twin for Fidelity's Special Situations unit trust, run by Anthony Bolton														
■ Lazard Brewers Lazard Investors (071 614 3065)	Greig Middleton	UK General	1:5	50m	3%	Yes	n/a	100p	96p	£1,000	1%	n/a	n/a	closes 22/10/94
Specialising in regional brewers, pub companies and others involved in the production or sale ol drinks														
■ Murray Emerging Economies Murray Johnstone (0345 222 229)	De Zoete & Bevan	Emerging Mkts	1:5	20m+	n/a	No	Yes	100p	95.5	£1,000	1.25%	n/a	n/a	9/11/94-29/11/94
Investing in real emerging markets – India, China, Brazil, Hungary etc – nol "gateways" like Hong Kong or Vienna														
■ Prolific Income Prolific (0800 998855)	James Capel	UK Inc Growth	1:5	40+	4%+	Yes	Yes	100p	95.1p	2,000	0.8%	2,000	1.6%	22/9/94-13/10/94
Similar Investment strategy to existing Prolific High Income unit trust, ranked 30th of 94 funds over five years														

NEW UNIT TRUST LAUNCHES

Manager (Telephone)	Sector	Target Yield %	Full PEP Qual	Savings Schemes Avail.	Charges outside PEP: Initial %	Charges outside PEP: Annual %	Charges outside PEP: Other %	Minimum Invst. £	Charges inside PEP: Initial %	Charges inside PEP: Annual %	Charges inside PEP: Other %	Minimum Invst. £	Special offer: Discount %	Special offer: Period
■ Tilney UK Smaller Companies Tilney (051 471 4131)	UK Smaller Cos	1.7	Yes	Yes	5.00	1.25	No	500	5.00	1.25	No	500	Yes‡	5/10/94-25/10/94
The first unit trust launched by this stockbroker fund management group. Tilney manages a high-performing smaller companies pension fund														
‡ 2 percentage point discount on lump sums and first six months of savings plan.														
■ HL Investment Trust Portfolio Trust Hargreaves Lansdown (0272 767 767)	Investment trust units	2	Yes	Yes	5.75	1.5	No	2,500	5.75	1.75	No	2,500	Yes*	7/10/94-27/10/94
Unit trust investing in a wide range of UK and overseas investment trusts, with a 5 per cent annual withdrawal facility.														
* 1 percentage point discount on investments over £5,000; 1.5 over £10,000, 2 over £20,000, and 3 over £50,000														
■ Managed Growth Fund M&G (071 626 4588)	Fund of Funds	1	Yes	Yes	5	1.5	No	£500	0	1.5	Yes**	£1,000	-	8/10/94-28/10/94
M&G's second fund of funds, this one concentrates on long-term growth. It is also the second M&G no-initial-charge Pep														

** Withdrawal charges on a sliding scale from 4.5 per cent in the first year down to 0 after the end of the fifth year





FINANCE AND THE FAMILY

When 'top rate' means 45%

David Cohen reveals how changes to the treatment of dividends are driving up tax bills

Ask the Inland Revenue and it will tell you that the top rate of income tax is 40 per cent. The truth, however, is that some taxpayers now face a marginal rate of 45 per cent because of last year's changes to the tax treatment of dividends.

Every dividend cheque is accompanied by a voucher giving a tax credit. On April 6 1993, the value of this credit was cut from 25 to 20 per cent of the gross payment. So, someone receiving an £80 dividend now gets a £20 credit, which is 20 per cent of £100 (the dividend and credit combined).

Table 1

£3,000 salary @ 20%	£600
£13,000 salary @ 25%	£3,250
£7,700 (bal basic rate band) dividend @ 20%	£1,540
£4,300 div @ 40%	£1,720
Total	£7,110

Basic-rate taxpayers have been protected against the impact of this change. They are now taxable at only 20 per cent on their dividend income, so the 20 per cent credit still takes full care of their liability. But 40 per cent taxpayers have lost out. They are stuck with the reduced credit – without the benefit of a lower tax band.

The 45 per cent crunch comes for those individuals in the higher-rate bracket who have a mix of dividends and other sources of income. The dividends will be treated as the top slice when calculating overall liability. Hence, the benefit of the special 20 per cent dividend rate will be available only to the extent that the basic-rate band has not been absorbed by the individual's non-dividend income.

Any increase in such income will, therefore, catapult an equivalent amount of dividend income from 20 per cent straight up to 40 per cent.

Take Ezra, whose income comprises a £16,000 salary and £12,000 dividends. Ignoring personal allowances, his tax liabilities will be as set out in Table 1. Table 2 shows the impact of a £5,000 salary increase. Additional tax of £2,250 is 45 per cent of the extra income.

Table 2

£3,000 salary @ 20%	£600
£18,000 salary @ 25%	£4,500
£2,700 (bal basic rate band) dividend @ 20%	£540
£9,300 div @ 40%	£3,720
Total	£9,360

Having identified this trap, what can taxpayers do to avoid it? Many will have little or no influence over their income level, and an employee offered a pay rise is hardly likely to turn it down because it will be taxable at 45 per cent.

Nevertheless, those with more flexible arrangements often will be able to take avoiding action. Owner-managers of private companies, for instance, can keep the 45 per cent threat at bay by paying themselves extra dividends in lieu of salary increases.

Equally, husbands and wives can swap ownership of income-producing assets if one is a potential 45 per cent payer and the other is not.

■ *David Cohen is a partner in the City law firm of Paisner & Co.*

Quote . . . unquote

I have noted your periodic advice about establishing losses on shares of negligible value; however, I assume this applies only to quoted shares. What is the position, please, concerning unquoted shares?

■ There is no difference in principle between quoted shares (or shares which had been quoted before the price collapsed) and shares which have never had a quotation.

The difference in practice is merely that it is usually easier for a shareholder to establish the facts for a public company, without having to submit documentary evidence of the shareholding's negligible value.

The day, not the date

I understand that shares in Rosehaugh plc were suspended about 18 months ago but my inspector seems unable to agree a date on which they become negligible value. For indexation of capital gains loss, it is important that they be so declared before November 1993. Have you any information?

■ Your letter is based upon a misapprehension: it is irrelevant, for indexation loss purposes, whether "they be so declared before November [30] 1993". It is the day on which your negligible-value claim is made that is important.

If it is made after November 29 1993 but before April 6 1995, indexation-loss relief will be due (up to the £10,000 limit for 1993-94 and 1994-95 together) either statutorily, if you make a statutory claim under section 24(2) of the Taxation of Chargeable Gains Act 1992, or extra-statutorily, if you make a claim under extra-statutory concession D28 (Asset of negligible value) as revised on May 31 this year.

Ask your tax office for a copy of D28, which should help to clarify the position.

No pay slips from employer

I have been in my first job for 2½ years and I am paid weekly by cheque with no supporting documentation.

I have recently become aware that my employer should provide pay slips showing gross pay, deductions and net pay.

My employer says I am not on pay-as-you-earn, so no deductions have been made for income tax or National Insurance and I have, unwittingly, become liable for arrears. What steps should I take to regularise my position?

■ It could be that your pay is below the National Insurance and Paye thresholds, in which case you have nothing to worry about. But we suggest you talk things over with, say, someone at a Citizens Advice Bureau.

Making money from options

I am considering dipping a toe in the traded options market with a view to increasing the returns from my equity investments.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

1. What is the tax position in relation to the selling of "puts and covered calls"?

2. Is the profit from buying puts and calls classed as capital gains?

3. Can the losses sustained be set against capital gains for tax?

■ We take it you are talking about LIFFE equity options only. (If we are wrong in this assumption, please come back to us with details of the precise traded options in which you are interested, because the tax rules for some traded options are different from those outlined below).

The answer to both questions 2 and question 3 is yes.

As for question 1:

(a) Selling an option which expires unassigned. The net premium received is treated as a capital gain which arose on the day the option was sold. (There is no indexation relief).

(b) Selling an option and making a closing purchase. The net profit or loss is treated as a capital gain or an allowable loss which arose on the day on which the option was sold. (There is no indexation relief).

(c) Selling a put option which is assigned. The net premium received is treated as reducing the cost of the shares put. (Indexation relief on the eventual sale of the shares put is calculated on this reduced cost; the shares put are treated as having been bought on the day on which you are given notice of assignment).

(d) *Selling a call option* which is assigned. The net premium received is treated as part of the proceeds of sale of the shares called. (Any indexation relief on the cost of the shares called is calculated up to the day on which the notice of assignment is given, and the consequent capital gain is treated as arising on that day.

If there is an allowable loss, there is no indexation relief, of course, but transitional relief (up to the £10,000 limit for 1993-94 and 1994-95 together) would be available for notices of assignment given before April 6 1995).

Ask your broker, or LIFFE's publications department, for the free Private Investor's Guide to the Taxation of LIFFE Equity Options. (It was written after publication of the Finance Bill last January, but before the CGT rules were amended at the report stage in April).

Random and arbitrary?

As an investing member of several building societies, I was unaware that if my share account had not been open for two years, I would lose out on rewards or advantages that depositors (rather than shareholders) would get.

I have received a letter from the Cheltenham and Gloucester building society telling me that, as my share account was not open by December 31 1992, I shall not qualify legally for payment in the distribution of the £1.8bn cash bid from Lloyds Bank. On the other hand, depositors qualify if their accounts were opened by March 31 1994. This appears to me to be a random and arbitrary decision.

■ The letter from the C&G resulted from a High Court action interpreting the legislation regarding take-overs of building societies.

The decision to restrict payments to those who have been with the society for a minimum of two years is not without precedent and is certainly not random and arbitrary.

You might wish to know that the C&G has opened a telephone help-line which can be contacted on 0345-889 900 from 9am to 5pm Mondays to Fridays, and 9-1 on Saturdays. *(Reply by Barry Stillerman of Stoy Hayward).*

CGT need not be paid

Where a holding of shares included in a person's estate shows a considerable capital gain, is this deducted from the value of the shares (less exemption £5,800) for inheritance tax purposes?

Alternatively, if the shares are willed to a beneficiary, is the liability for CGT also transferred?

■ The answer to both questions is no.

Capital gains tax on death was abolished in 1971 (although there is an income tax charge on death in respect of those types of capital gain which are treated as income). Ask your tax office for the free leaflet IR45 (What happens when someone dies).

Back with a bang

Now that the take-over of Confederation UK Holdings plc by Sun Life of Canada has received regulatory approval, Confederation Bank makes a return to the Highest Rates table with its market-leading Tessa (tax-exempt special savings account) of 9 per cent, fixed for five years.

Building societies are slowly filtering increases through to their savers. Cheltenham & Gloucester is the largest society to announce new rates so far, with increases of up to 0.4 per cent.

Northern Rock has re-opened its Go Direct account. Although the account must be opened by post, cheques may be deposited and withdrawn from branches after that.

Fixed rates continue to be in favour. Leeds and Newcastle have both launched new fixed products. Norwich and Peterborough has increased rates on all its fixed products; it now pays up to 8.55 per cent on a three-year bond. The market leader for three years remains Coventry at 9.10 per cent.

For those requiring gross interest, rates offshore are also slowly increasing on ordinary accounts. The majority of banks have increased rates but the only building society subsidiary to increase has been C&G Channel Islands Ltd. Confederation Bank (Jersey) Ltd returns with its Flexible Investment account.

Guaranteed income bonds also continue a gradual rise. Eurolife went up to 7.75 per cent on a five-year bond to lead this week, only to be leap-frogged by Laurentian Life paying 7.85 per cent and then by Liberty Life, with rates up to 8.25 per cent (10.31 per cent to a basic-rate taxpayer) at £50,000.

Christine Bayliss, Moneyfacts

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Portman BS	Instant Access	0202 292444	Instant	£500	5.00%	Yly
Manchester BS	Money-by-Mail	061 839 5545	Postal	£1,000	5.80%	Yly
Skipton BS	3 High Street	0756 700511	Instant	£2,000	6.10%	Yly
Northern Rock BS	Go Direct	0500 505000	Instant	£20,000	6.50%	Yly
NOTICE A/cs and BONDS						
Bradford & Bingley	Direct Notice	0345 248248	30Day(P)	£1,000	6.15%	Yly
Northern Rock BS	Postal 60	0500 505000	60Day(P)	£10,000	6.75%	Yly
Universal BS	1 Yr High Option	091 232 0973	90Day	£10,000	7.00%	Yly
Coventry BS	Fixed Rate Bond	0800 126125	31.8.97	£5,000	9.10%F	Yly
MONTHLY INTEREST						
Britannia BS	Capital Trust	0538 391741	Postal	£2,000	5.37%	Mly
Bradford & Bingley BS	Direct Notice	0345 248248	30Day(P)	£10,000	6.45%	Mly
Northern Rock BS	Postal 60	0500 505000	60 Day	£2,500	6.17%	Mly
Coventry BS	Fixed Rate Bond	0800 126125	31.8.97	£5,000	8.70%F	Mly
TESSAs (Tax Free)						
Confederation Bank		0438 744500	5 Year	£8,900	9.00%F	Yly
Market Harborough BS		0858 463244	5 Year	£9,000	7.60%	Yly
Cheshire BS		0800 243278	5 Year	£1	7.40%	Yly
Tipton & Coseley BS		021 557 2551	5 Year	£1	7.35%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Woolwich BS	Current	0500 400900	Instant	£500	3.50%	Yly
Halifax BS	Asset Reserve	0422 335333	Instant	£5,000	4.50%	Qly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	5.75%	Yly
				£25,000	6.00%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	International	0481 715735	Instant	£500	5.75%	Yly
Confederation Bank Jrsy	Flex Inv	0534 608060	60 Day	£10,000	6.30%	½Yly
				£50,000	7.00%	½Yly
Halifax BS	Fixed Rate	0534 59840	3 Year	£10,000	8.10%F	Yly
GUARANTEED INCOME BONDS (Net)						
AIG Life		081 680 7172	1 Year	£20,000	5.60%F	Yly
AIG Life		081 680 7172	2 Year	£20,000	6.40%F	Yly
Laurentian Life		0452 371371	3 Year	£10,000	7.15%F	Yly
General Portfolio		0279 462839	4 Year	£5,000	7.00%F	Yly
Eurolife		071 454 0105	5 Year	£50,000	8.30%F	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	5.25%G	Yly
	Income Bonds		3 Month	£2,000	6.50%H	Mly
	Capital Bonds I		5 Year	£100	7.75%F	OM
	First Option Bond		12 Month	£1,000	6.40%FI	Yly
	Pensioners GIB 2		5 Year	£500	7.50%F	Mly
NAT SAVINGS CERTIFICATES (Tax Free)						
	42nd Issue		5 Year	£100	5.85%F	OM
	8th Index Linked		5 Year	£100	3.00%F +Infln	OM
	Childrens Bond G		5 Year	£25	7.85%F	OM

This table covers major banks and building societies only. All rates (except those under heading Guaranteed Income Bonds) are shown gross. F = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. P= By Post only. G= 5.75 per cent on £500; 6 per cent on £25,000 and above. H= 6.75 per cent on £25,000 and above. I= 6.80 per cent on £20,000 and above. Source: MONEYFACTS, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain an introductory copy by phoning 0692 500665. Figures compiled on: 6 October 1994

PERSPECTIVES

News from the Gulf: Vaughan Smith during the Gulf War

Minding Your Own Business

Shooting in the heat of battle

David Spark talks to a cameraman who specialises in frontline film

Vaughan Smith was the only television cameraman to get frontline film of the allied advance in the Gulf War. He posed as an officer taking pictures for the British army, sat undetected while officers were warned about an unauthorised intruder, then left to hitch a lift with US troops, claiming they had crashed into his Land Rover.

Smith is a former captain in the Grenadier Guards. His Gulf War earnings enabled him to finance the development of Frontline News TV, which started out as a cameramen's co-operative and has provided much of the world's TV coverage of Bosnia, Somalia and Liberia.

Its scoops include Rory Peck's Gulf War pictures of a missile-hit air-raid shelter in Baghdad, and the story of UN soldiers in Sarajevo trading on the black market and buying people's few belongings.

Eighteen months before the Gulf war, Smith, who used to fly microlight aircraft, went to Pakistan to represent a company that made the aircraft and joined a camera crew accompanying the BBC's John Simpson over the mountains to Kabul. The other members of the crew were Peck and Peter Jouvenal, a former soldier, on the trip they discussed setting up a company. The following year, after the Romanian revolution, they set up the Hard News group, later renamed Frontline News TV, with Nick della Casa and Tim Weaver.

Freelance cameramen may take exciting pictures but they struggle to sell them. For individuals the problem is making themselves known to TV companies.

"It's hard to do enough for them to remember you," says Smith.

Freelances rarely figure in the credits at the end of TV programmes. Companies normally try to disguise the fact that they are using non-staff pictures. The idea of Frontline was to establish a name which companies would remember.

Smith ran the group from his London home and cycled round TV offices delivering material. The first year was difficult. The group had a £50,000 turnover but did not make money.

Smith's Gulf earnings enabled him to buy computers, set up a data base of clients and sales, and improve the presentation of material to TV executives. He also spent £50,000 on an editing suite, which saved money and time. Annual turnover rose to £180,000.

Towards the end of 1991, Anna Roberts, a journalist and producer, joined the group to market the cameraman's material and built the number of TV clients to 70. Roberts became a camerawoman and producer and, in early 1993, Frontline hired first Susannah Nicoll and then Jane Birch to organise sales, seek contracts and run the office. Annual turnover has reached £400,000, partly because the cameramen became better at choosing what to do and doing it, partly because of work in Bosnia.

The Frontline group was among the first users of Hi8 home video cameras for TV instead of the heavy and expensive Betacam. "People picked up Hi8s and went to war zones and came back with footage that sold," says Smith. Hi8s have become standard on BBC World Service TV.

After the Gulf War, della Casa was murdered by his guide in Kurdistan. Weaver left the group to work on his own. Peck also left to set up an office in Moscow. He was killed in the battle at the TV station when the Russian parliament challenged Boris Yeltsin.

Last May, Smith and Jouvenal changed Frontline News into a limited company, with five share or share-option holders, all camera-people who work almost exclusively for Frontline. The aim is to keep ownership in the hands of the people who do the work.

Camera-people working with Frontline take responsibility for themselves and their equipment and pay Frontline a commission. They may offer features lasting six to 12 minutes to TV companies; or they may go overseas as camera crew for the networks. Smith says: "We have a reputation for war coverage and getting to places that are difficult to get to."

To attract networks, a freelance group has to be cheaper than a staff crew and yet also meet its running costs from within its fee. "That means being highly competitive and motivated. The very fact we have survived shows flexibility and motivation."

A BBC cameraman in Bosnia goes to war in an armoured car. Frontline cannot afford that. Its people probably stay with a family in Sarajevo for $20 (£12.60) a night, instead of paying $80 at the Holiday Inn.

Smith stresses, however, that freelances play an important role because of their freedom from head office. "We can do what most broadcasters sometimes don't do, because we aren't controlled."

For example, he could get frontline pictures of the Gulf because he was outside the deal between editors and the British Army. Other journalists could have broken the story of the Sarajevo Mafia and UN corruption: but they were staying in the Holiday Inn and benefitting from Mafia-provided power, water and food.

One thing which rankles with Smith is that freelances rarely win awards. The networks give them to each other.

■ *Frontline News TV, 150 Buckingham Palace Road, London SW1W 9TR (tel:071-824-8834)*

The bionic knee-cap

Continued from Page I

potentially more far-reaching in its implications. Already, electronic devices are beginning to give some hearing to the deaf and movement to the severely disabled.

Doctors have most experience with the "cochlear implant", fitted surgically into the bone behind the ear. It converts digitised sounds, transmitted from a small external microphone, into electrical signals which stimulate the auditory nerves inside the ear. These send impulses to the brain, which interprets them as crude sounds.

Lord Ashley, the UK's best-known campaigner for the deaf, brought the technology to public attention in Britain last year when he received a cochlear implant. He spoke movingly of being able to hear his family again after 25 years of silence. "I can best describe what I hear as being like listening to a croaking Dalek with laryngitis," Ashley said, "but compared with total deafness it is a miracle."

Devices to restore some hand movement to quadriplegic patients with broken backs or necks are being developed at Case Western Reserve University in Ohio. The system relies on the fact that most quadriplegics can shrug their shoulders slightly. The movement controls a joy-stick which transmits signals to an electronic unit under the wheelchair. This activates a stimulator about the size of a heart pacemaker, implanted in the shoulder, which sends electrical impulses down the arm to the paralysed hand muscles.

The experimental hand grasp system does not restore full finger movements but it has enabled a dozen patients in the US to write, brush their hair and teeth, hold a telephone, sew and paint. Now surgeons at Salisbury District Hospital are preparing to test the system in the UK.

The only vital organ for which medical technology cannot yet offer any assistance is the brain. Even that is only a matter of time. Humphreys predicts that within 50 years it will be possible to implant memory chips to boost our failing intellectual faculties.

"If we can design an interface between silicon chips and brain cells, the first step will be a pre-programmed chip which the brain could read," Humphreys says. "Ultimately we would like the brain not to notice the implant and to treat it as another piece of brain tissue. Then we could get the brain to record information on the silicon chip and read it when necessary."

Although Humphreys is more willing than his cautious colleagues to speculate publicly about the future of biomedical technology, many scientists would regard his vision as a reasonable extrapolation of current research. Most would see brain-boosting implants – whether to extend human intelligence or to treat diseases such as Alzheimer's – as a welcome development, not a sci-fi nightmare.

There is an interesting paradox here. As medical scientists add increasingly sophisticated implants to people, so robotics researchers will be giving machines the mental and even anatomical features of humans. During the coming Bionic Age, the distinction between human beings with implants and humanised robots will become increasingly blurred.

FT Ski Expedition

The little resort on Alloway Street

Arnie Wilson visits Mount Dobson in New Zealand

Arnie Wilson and Lucy Dicker are trying to ski every day of 1994 on a round-the-world expedition.

At 5.30 in the morning, No 30 Alloway Street, Fairlie, can be resemble *Nightmare on Elm Street*. Facsimile machines suddenly whir automatically, sending messages to all corners of New Zealand's South Island. Telephones ring. Answering machines are triggered all over the house.

At 6 am, a cuckoo clock cuckoos maniacally. The answer machine message echoes down the corridor: "Conditions above the valley cloud are clear and calm. All facilities are operating. There are 2 cm of new snow on a 2.3-metre base. The main runs are groomed, and there's excellent skiing on packed powder. Chains are required today."

It is the start of another day in the life of Mount Dobson ski resort, south-west of Christchurch in the Southern Alps.

Peter and Shirley Foote prefer to start their hectic day from base camp rather than at 5,500 ft. Shirley records two messages every morning in her nightie and triggers the fax machine on its helter-skelter visit to various radio and television stations, sports shops, hotels and lodges.

Peter organises staff on the mountains via a short-wave radio and then readies himself for the 15-mile journey there. (While he is doing this, the cuckoo clock – a present from a German coach driver who escorted them on a whistle-stop tour of Europe recently – cuckoos seven times).

Few people run ski resorts from their front room, and even fewer simply go out and build their own resort on a virginal mountain. The Footes did it the hard way 15 years ago, becoming involved in a bitter battle with bureaucracy.

"It took us three years just to build the road," says Foote. "They wanted us to build more and more culverts. We ended up building 70. Every time we acquiesced over something, they came back with more red tape. We had to take it. It was either just walk away, leaving the resort half-built, or keep on battling.

"Luckily, there were a lot of people who wanted us to succeed as much as the local authorities wanted us to fail. Our solicitors, bank manager and the contractors all said they would wait for their money."

The result is one of the best privately-owned ski fields in New Zealand. It is on good powder days that it really comes into its own. After some unsettled weather, we were due for a good day. We got it at Mt Dobson, our 200th ski area of the expedition.

Higher than many of New Zealand's ski fields, the ungroomed terrain can stay light for days. Lucy and I trudged to the very top of the mountain from the highest lift and were greeted with astonishing scenery.

Spread all around us, in a gigantic arc, was the cream of the Southern Alps – reputedly more wide-ranging than those in Europe – and with Mt Cook dominating the skyline.

At the end of a magnificent day we skied down the front face of Mt Dobson, which gave us 3,500 vertical feet of non-stop powder. It was the kind of run you dream about: turn after effortless turn, with no end in sight and no need to change direction. Just straight down forever.

We felt guilty about those 70 conduits, all built by hand by the Footes. Red tape or not, without them we would have missed one of the most exhilarating descents of our nine months on skis. For each conduit, we had the satisfaction of at least 110 exquisite turns.

Facts and Figures

September statistics

Miles skied: 283 (Total since January 1: 2,572)
Vertical feet: 320,985 (Total: 2,900,190)
Vertical miles: 61 (Total: 552)
Miles driven: 2,208 (Total: 25,662)
Miles flown: 1,692 (Total: 60,823
Mileage (all means of transport): 3,957 (Total: 90,913)

Resorts visited so far: 198. (US: 50; Canada: 13; Austria: 32; France: 24; Switzerland: 23; Italy: 11; Germany: 1; Chile: 10; Argentina: 6; Australia: 12; New Zealand: 11; Japan: 4; India: 1)

Resorts skied in September: 17

Australia: Mount Hotham; Falls Creek; Thredbo; Perisher Valley; Smiggin Holes; Charlotte Pass; Blue Cow; Guthega.
New Zealand: Mount Hutt; Treble Cone; Cardrona; The Remarkables; Wanaka (Harris Mountains Heli-Skiing); Coronel Peak; Awakino; Ohau; Mount Cook (Tasman Glacier).

Expedition sponsors

Ski the Summit, Colorado; Hewlett-Packard; Avis; American Airlines; Air New Zealand; Snow+Rock; Fogg Travel Insurance; Luhta; Degré 7; Champagne Mercier; Clarins.

TRAVEL

Renaissance flowers again in Florence

***Derek Wilson** enjoys 20th century comfort in 16th century surroundings*

For years, visitors to Florence have opted to inspect the Renaissance by day and to give it a miss by night, preferring to sleep in comfort rather than rough it in some derelict 16th century *palazzo* without hot water.

Change is afoot. You can now *sleep* the Renaissance as well as see it – and in comfort.

A small group of hoteliers has pioneered the restoration of Renaissance properties to make them suitable for the most choosy tourist. In so doing, they have resisted the cheap – and easy – path of wholesale conversion of buildings which has been followed by all but a handful of the 359 hotels in Florence.

Four have chosen the hard way. In each case, family pride has been a principal reason. Encouragement, too, came from the Florence town council, which has a new policy aimed at making greater use of historic buildings.

All the emphasis in these four instances has been on re-creating the physical setting of the Renaissance, with less regard for other matters such as food. Only one, in fact, has a restaurant, although all four provide lavish breakfasts.

The most spectacular is Torre di Bellosguardo, a big, sturdy 16th century villa on a hill beyond the Arno. "I simply wanted to save the place," says Amerigo Franchetti, the owner. He says that 180 day-school pupils used to arrive at 8am and wreak destruction. "I had to get rid of them. In another five years they would have wrecked the lot."

The core of the hotel is a stumpy tower built perhaps as a hunting lodge before 1300 by Guido Cavalcanti, poet of courtly love, and a friend of Dante. Later confiscated from the Medici, it passed to the land-owning Roti Michelozzi family who much later ceded it to Franchetti's romantic grandmother.

"She was a German from Munich called Marion Hornstein. She took one look at this place and decided it was the abode of her dreams and all that rot," says the owner. "She married an Italian. Then my father told her one day in 1913: 'If yon like this place so much, here's the money'. He'd married into the Rothschilds, Paris branch. When she died in 1948, the family let it to finishing schools, then to that terrible day-school."

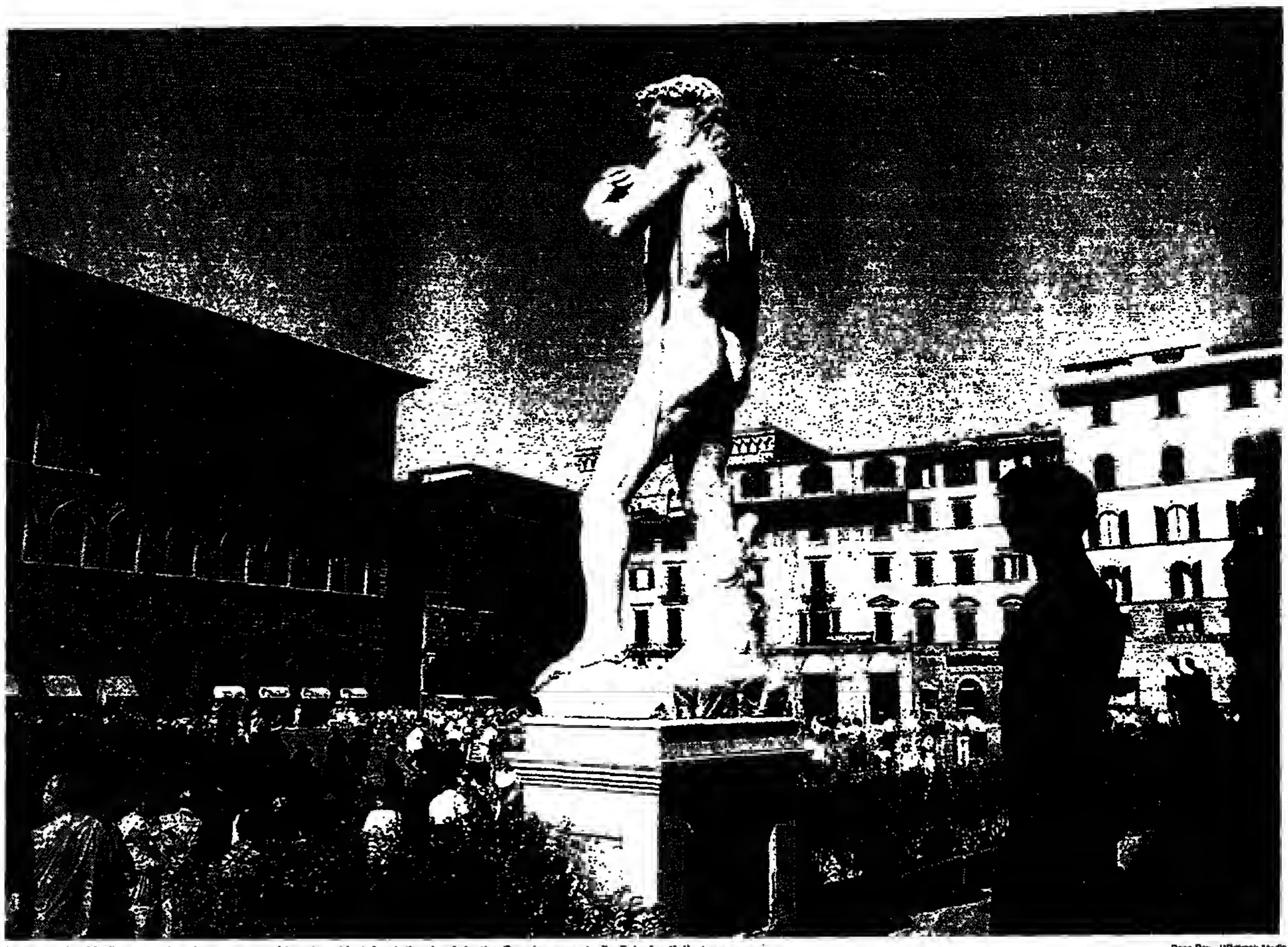
The restorers took 10 years. Already the high façade is peeling, but inside the building wallows in space: a mirror of spartan Tuscan luxury. Reception is a table in a great ball-room frescoed by one Bernardino Poccetti, a prolific 16th century hack. The music-room boasts a fine sculpted chimney-piece and is bare; a stone ramp does for stairs; canopied beds, sticks of medieval furniture and coats-of-arms in huge rooms complete the feeling, as do aged carpets.

Frigo-bars and TV sets have been banned and superb bathrooms are ingeniously dissimulated. Concealing the swimming-pool in gardens ablaze with flowers proved a tougher proposition.

A friend of Franchetti's, Rodolfo Budini Gattai, runs what was a guest-house for clerics built in 1518. Discreetly tucked away under the arches of the very central Piazza della Santissima Annunziata, this is the Loggiato dei Serviti. It faces Brunelleschi's Spedale degli Innocenti, the foundlings' hospital, and was included in the matching portico designed by Antonio da Sangallo.

The fathers kept their lodgings for visiting preletes. They were clearly well-heeled since the rooms are commodious chambers: you wake up to Tuscan coffered ceilings and lofty ribbed vaulting.

"My family bonght the Loggiato in 1870 after the confiscation of church property", says Gattai. "At first it was rented out as flats, but in 1924 my grandmother's coachman was allowed to open a boarding-house here. Well, he married an Irish lady, one Katherine Doyle, and in the 1930s their pensione was popular with the English and Irish. I and my brothers took over in 1984. We wanted to resurrect the original."



Statue of David, Florence: the city can now add restored hotels, dating back to the Renaissance, to its list of artistic treasures

Ross Bay, Wildtrack Media

The most stylish of the four is the Monna Lisa in nearby Borgo Pinti – a superbly preserved 15th century patrician dwelling set around a small courtyard with a garden in the back. The dominant artist on display is Giovanni Dupre, a 19th century Sienese sculptor whose descendents own the place. Oslavia Ciardi Dupre bought out the Marzichi-Lenzi family, its owners for generations, in 1956.

At the Monna Lisa, Florentine good taste comes with a touch of clutter: there is Dupre family treasure scattered about, including five centuries' of furniture and a plaster model by Giambologna for his *Rape of the Sabines* in Piazza della Signoria. There is a tasteful restaurant amid pillars and pictures.

Cheaper is the oddly-named Aprile, near the station. It is as Renaissance as they come, a pugnacious three-storey clan fortress with huge eaves and no nonsense. Once known as the Palazzo del Medici, and then as Palazzo del Borgo, this is a warren of e place with a lived-in feel to it. The old structure survives intact, bumps, wasted space, crannies and all, each one deftly exploited.

"My family has been there since 1815," says Marcella Ascoli-Bollaffi. "We were textile merchants. I was born there and my mother stayed on until the '50s." Why Aprile? "Oh, I was young and silly and when we let it to the Cantini Zucconi family 40 years ago, I let them call it after the month they moved in. I've regretted it ever since."

Torre di Bellosguardo: Via Roti Michelozzi 2. 50124 Firenze. Tel: (055)-2298145; fax: (055)-229008; 15 rooms: single: L230,000-L250,000; double: L300,000-L330,000; suite: L530,000.

Hotel Loggiato del Serviti. Piazza SS annunziata 3. 50122 Firenze. Tel: (055)-289592; fax: (055)-289595; 29 rooms: single: L110,000-140,000; double: L170,000-L210,000.

Hotel Monna Lisa. Borgo Pinti 27, 50121 Firenze. Tel: (055)-247951; fax: (055)-24797550; 34 rooms: single: L150,000-L200,000; double: L230,000-L300,000.

Hotel Aprile. Via della Scala 6. 50123 Firenze. Tel: (055)-216237; fax: (055)-280947; 29 rooms: single: L110,000; double L150,000.

Pink Snow

The FT's annual guide to skiing will be published on Saturday 15th October this year.

Filled with reviews of the worlds best resorts by globe trotting Arnie Wilson, together with the results of the F.T. readers' ski survey, Pink Snow will be invaluable to everyone considering taking to the slopes in 94/95.

Don't forget to pick up your copy, free with the Weekend FT on 15th October.

Moules and masterpieces

***Susan Moore** worships at the altars of art and food in Bruges*

A larger than life Jan Van Eyck, brush and palette in one hand and beloved bagpipe by his side, presides over the small square by our hotel.

We hreakfast on strawberries piled in blue and white bowls lifted ont of a 17th century still life, marvel at Michelangelo, take deep draughts of Memling and hlond beer tasting like nectar, and dine robustly in the house of the Renaissance painter Pieter Pourbus.

From day one it is clear that Bruges is a place to worship at the twin altars of high art and the soon-to-expand stomach.

For this is a city where *moules* comes hy the four-litre pan, extra *frites* are offered as a matter of course, and every cup of coffee comes accompanied by a chocolate. And Bruges at table is so like Bruges in the street.

Streetscapes of canals and crow-stepped gables have earned it the reputation of the Venice of the North, but there is none of the Serenissima's faded splendour or aristocratic hauteur. Bruges is unashamedly bourgeois: prosperous, spic and span and polite. In this heavily restored Venice, there are no surly waiters or good food only if you know where to find it. Here geraniums in window boxes adorn even the inside of canal walls.

Bruges *is* as pretty as any picture and, oddly enough, comparably two-dimensional. Like its alter ego, it is awasb with tourists in season but, unlike it, there seems no escape from the crowds or the lace shops. Strolling along cobbled streets past ornate, once-medieval public buildings and soft domestic red brick, it seems a city of facades but few interiors. It almost would not surprise me to discover tbat the whole place was an ingeniously constructed film-set.

There are, however, at least three glorious places of refuge. The spartan interior of the Onze Lieve Vrouwekerk - more familiarly Notre Dame, but here Flemish, even English, is preferred to Frencb - boasts the sumptuous gilt-bronze Renaissance mausoleums of Charles the Bold and his daughter Mary of Burgundy; visible beneath them, thanks to judiciously placed mirrors, their original narrow tombs, gauchely painted red and black like early wood cuts.

Here, too, is the Michelangelo, a pensive marble Madonna seated on a rock, the standing Christ-child, eyes cast down, nestling between her legs and clasping his mother's left hand. Her mournful sadness is heart-rending.

The sculpture was made for Siena Cathedral hut sold instead to the Mouscron family of Bruges. We were not supposed to view it head on, as currently aligned – the evidence is the cut of the marble. Stand way to the left to see it at its best.

St James's Church was the original location for the Moreel altarpiece by the far from "Primitive" Hans Memling, a triptych which not only includes portraits of the donor Willem Moreel and his wife but their five sons and 11 daughters.

Memling is the city's greatest adoptive son who left his nativa Rhineland to pursue a lucrative career in cosmopolitan Bruges in 1465. St John's Hospital, now the Memling Museum, still lays claim to handful of his masterpieces.

Tbe Groeningemuseum (which is host to a major Memling exhibition, until November 15) also boasts Jan Van Eyck's wondrous "Virgin and Child with Canon van der Paele". But then, one of the great advantages of visiting Bruges is that Ghent is only 20 minutes away by train. There, in St Baaf's Cathedral, locked in bullet, earthquake and everything-proof glass is Jan and Hubert Van Eyck's "Adoration of the Mystic Lamb", the most sublime evocation of heavenly paradise ever painted. That was our ambrosial lunch, and there was plenty of time to get back before dinner.

■ The author travelled from Ramsgate to Ostend by Sally Lines jetfoil (reservations 0843-595522) and stayed at the 18th century *Relais Oud-huis Amsterdam* in Bruges (tel: 050-34 18 10). The crossing takes 1hr 40 mins. The train direct from the port of Ostend to Bruges takes 12 minutes.

FOOD AND DRINK

Entertaining at home

Wineupmanship: beating the bores

Jancis Robinson on safe bottles for the pickiest of dinner guests

In my experience, the more wine expertise someone claims, the less they generally bave. Only a beginner would claim to know a lot about wine; those of us wbo have spent a couple of decades immersed in the subject are only too painfully aware of how much more there is to learn.

People with a little wine knowledge tend to wear it beavily. My heart always sinks, for instance, when someone begins a conversation with "In my cellar...". It is difficult enough to make a discussion about the wine in your glass interesting, let alone one abnut someone else's firmly corked bottles.

I sympathise, therefore, with anyone required to entertain those wbn claim to know something about wine. Will the choice of bottles reveal one as an irredeemable cheapskate or vinous lowbrow?

As so often, the solntion is not necessarily to throw money at the problem. Very, very few wine merchants' most expensive bottles are anything like ready to drink (exceptions include: Reid Wines, of Hallatrow, near Bristol; La Vigneronne of London W7; and Butlers Wine Cellar, of Brighton, Sussex).

The answer is to show flair, wineupmanship, and spend less, by choosing some bot, new (or revived) wine types.

The insider's whistle-whetting aperitif, for example, is top quality Riesling, preferably a Mosel Kabinett from a quality-conscious prodncer (wbich is unlikely to cost mnch more than £7).

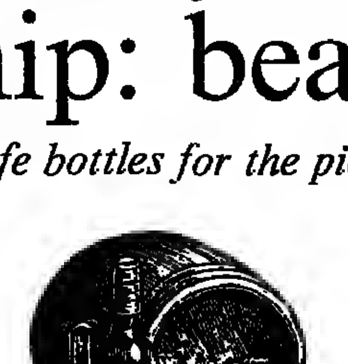
The VDP symbol on tbe label or capsule is a shorthand way of identifying Germany'a goodies, a very high proportion of which belong to the VDP group of superior estates.

Merchants wbo take German wine seriously include: Oddbins, O W Loeb of London SE1; Philip Eyres, of Amersham, Bucks; Harcourt Fine Wines, of London W1; Adnams, of Sonthwold, Suffnlk; Summerlee Wines, of Earls Barton, Northamptonsbire (0604-810488); Lay & Whealer, of Colchester, Essex; and The Wine Society, of Stevenage, Herts.

Acceptable alternatives inclnde one of the host of Australian Rieslings now being shipped, *faute de* Chardonnay, to the UK or a dry Riesling from Alsace. Lea & Sandeman, of London SW10, has the superb wines of Marcel Deiss, and Wine Rack stores have made a particularly diligent selection.

One clever dry, fuller-bodied white and one red ehnnld be enough for most meals – although yon could always demonstrate your *savoir boire* by serving a sweet wine with the cheese such as a Moelleux version of Jurançon or Pacherenc de Vic Bilh, an Italian Moscato with an alcohol of at least 12 per cent, nr even *(très chic)* an Austrian Beerenauslese (try Noel Young of Trumpington, Cambridgeshire, for *the fabulous wines of Kracher)*.

Chardonnay-based wines dominate dinner tables the world over. Much more distinguished at tbe moment are full, dry whites based on Rhône Valley varieties. Viognier is so sought after it is almost passé.



Rostaing's 1992 version at £9.99 from Bottoms Up and Wine Rack is mnch meatier than most, and few *wines are more outré than Guffens'* Ardèche 'Fruits Defendus' oddity which is not allowed to call itself Viognier hut fetches £8.13 at Laytons of Londnn NW1 (and try André Simon shops).

A more gifted choice would be a well-made wine based on one or both of the white Hermitage grapes Marsanne or Roussanne.

Ch de Beaucastel of Châteauneuf-du-Pape has produced an exciting old-vine Roussanne for years now. A more inspired cboice might be the intriguingly packaged Sophiste, from Bonny Doon, of California. This hiend nf Marsanne and Roussanne has the elegance tbat so mnch white Hermitage lacks and the 1993 vintage is expected soon by Morris & Verdin at their new address in London SE1 (071-357 8866). It will be abont £17.50 a bottle – not cbeap bnt a real thrill.

Anotber Impressive Rhône Ranger white, as the Californians call them, is Jade Mountain's Marsanne/Vingnier 1993, £9.90 from Morris & Verdin.

Rather less expensive but with an interesting tang is a wbite Minervois based on old Marsanne vines, Cb de Violet 1993 wbicb Thresher Wine Shops/Wine Rack/Bottoms Up have been selling for £4.99. Australia can also provide some Marsanne, whicb should usnally be drunk as young as possible. Pioneer exporters of Victorian Marsanne were Ch Tahbilk and Mitchelton (*chez* Sainsbury's), the latter now part of Petaluma's expanding empire.

Wine Rack also bas an interestingly smoky, substantial, oak-aged Catalonian Malvoisie, probably the same grape variety as Sardinia's Torbato, at £6.49 a bottle.

The red wine possibilities for stunning a wine bore are much wider. The Rhône can again provide, particularly in the form of the less famous appellations. Crozes-Hermitage can now be a serious wine, from the cellars of the likes of Graillot and Belle (see Lay & Wheeler and Oddbins) or, another Rhône from Syrah grapes, yon could even bny the earthy red Brézème from Yapp Bros, of Mere, Wiltshire and confound with obscnrity.

Bnt I would be inclined to head out of France altogether and pick an Italian plum from Winecellars of Wandsworth, London SW18 or Valvona & Crolla, of Edinburgh. The nice thing about Italian fanatics is that they advise while proselytising.

A fine Ribeira del Duero, such as Pesquera (from John Armit Wines, of London W11) wnuld also impress with its demonstration of insider knowledge.

Both these wine styles oeed reasonably chewy, assertive food, bowever. If you are planning a subtler main course, a West Coast Pinot Noir from tbe particularly fine selection of The Wine Treasury of Fulham Road, London SW6 is guaranteed to delight.

They bave such gorgeous California Pinot Noirs as Williams & Selyem (a tiny allocation), Olivet Lane and Kistler, and tbe extremely convinciog Cbristom, regular and Reserve, from Oregon.

The Chilean Cono Sur regular Pinot Noir bottling at £4.49 from Oddbins and Safeway is less serious, but its quality sbould fascinate anyone with balf an interest in wine.

Eating out

First, catch your (Maine) lobster...

Nicholas Woodsworth's worthwhile struggle with steaming crustaceans

Lobsters, I decided sitting back one evening and surveying my sbell-strewn, hutter-spattered tahle at the Dolphin Marina Restaurant, are hard work.

I should have guessed as much when they began handing out foul-weather gear. Disposahle plastic bibs are *de rigueur* for lobster-eaters in even the more sophisticated seafood establishments in America – in some places motherly waitresses will tie them on for you.

Then came the specialised equipment – the pincers for cracking claws, the long skewers for probing recessed corners, the bowls for rinsing. It was all new to me. I felt like a trainee dentist.

And what about the vast expertise required? How much experience, how many botched jobs does it take before the seasoned lobsterer can artfully dismember this complex little crustacean? I watched one man at the table beside ma deftly remove the meat from his lobster's tail with one clean pull. There was hardly a drop of jnice splattered on his bib. My own chest looked like a Jackson Pollock painting. You could have made Thermidor with what lay in my lap.

And is it, in the end, worth it? After the first bite I could only say yes, it most certainly is. But lobsters, sadly, do not come cheap. Here, on the Maine coast, bome of what are said to be the best cold-water lobsters in the world, the pound-and-a-balf beast I had just consumed cost $20. Try eating the same creature in some up-scale restanrant in a western European capital, though, and you might have to pay for it by instalments. All in all, I decided, tha lobster-lover's lot is a hard one.

"Just about as tough eating a lobster as it is catching one," I remarked to the young waitress wbo, as I mopped melted butter from my eyebrows, had hegun cleaning up the battlefield in front of me. It was only the happy prattle that comes after a good dinner, of course, but she seemed to take it literally.

She looked at me, looked out the window at a wind-whipped sea and boats tossing at their moorings, then back at me again.

"Get real, will ya?" she said.

□ □ □

I decided, the very next day, to get real. My waitress had been right – much as I liked lobster, I hadn't the faintest idea of how easy or difficult it was to catch one. All I knew was that they were lured into large crate-like traps. But no one visiting Casco Bay, east of Portland, could avoid knowing that; most people here make their living from lobstering and traps sit in every backyard and on every wharf in sight. It should not be too difficult, I thought, to get as close to a snapping live lobster as a steaming red one.

On Cook's wharf, 20 minutes drive from the Dolphin Restaurant on Orr's Island, I came across hundreds of lobsters scuttling about the bottom of a large bolding tank. More importantly, I came across Ernest Hillman, the man who caught them, and the *Franny Ellen*, tbe 36-ft lohster-boat he caught them from.

Hillman was refuelling at the wharf's diesel pumps before heading out to pull up 400 traps he had laid in 80 separate strings two days before. I explained my interest in lobsters – not the ones already swimming in butter but those still crawling about on the bottom of Harpswell Sound, the broad Casco Bay channel that stretched away in front of us. Could I come along, I asked? Why not, replied Hillman, he had something to tell me.

We shoved off with Hillman at the wbeel and his two deckhands, Joe and Chris, sorting out cases of baitfish in the stern. A purpose-built lobster-boat, the *Franny Ellen* carries a large tank of pump-circulated sea-water and a platform for traps on her aft deck; there is not much working space left over.

"Better ride with me in the wheelhouse", Hillman warned as we headed into the sound. "Once the ropes start paying out it gets kind of hairy back there – you get your foot caught in a coil of rope and all of a sudden you'll find yourself being dragged 80ft down on a string of traps. We lose one or two men that way every year." I rode, very happily, in the wheelhouse.

For a layman like me it was a perfect day; the wind of the previous evening had dropped and we cruised out into a sunny, calm, scintillatingly clear autumn morning. In this weather the thousands of coloured lobster buoys that cluttered the sound – each one marking the beginning or end of a string of traps – stood out brightly against the deep blue water.

For a lobsterman like Hillman, though, the day was less than perfect. It was full moon, he explained, a phase that created huge tides rising and falling more than 15 feet in Casco Bay. With strong currents like that running, he said, lobsters tend not to wander round in search of food but to stay put in holes and depressions on the floor.

We came to a floating buoy marking one of Hillman's strings. His huoys are black and orange, the other 30 or so lobstermen he fishes Harpswell Sound with having their own colour combinations. Nonetheless, with some 12,000 traps out in the sound, locating one's own dispersed strings in this multi-coloured maze – and not tangling them up with a neighbour's – requires a prodigious memory and skill.

The first string, as Hillman predicted, was disappointing. Winding tha rope attached to his bouy around a hydraulic winch, he began hauling in his string of five traps. Each beld three or four antenna-weaving, tail-flapping, greeny-brown camouflaged lobsters; all but one, however, had to he thrown back.

"Too small", Hillman explained, measuring each carefully witb a brass lobster gauge. Take anything measuring less than 3¼ in from eye to end of body carapace and you loose your licence for three years. Take a female with eggs and you are in real trouble. For every 100 lobsters I catch I keep only about 20."

As Hillman hauled traps, Joe rebaited them, sewing in two or three bait-fish carefully trussed in nylon mesh. While the quaint lobster pots of the past – knotted cord mounted on light frames of steamed wood – have long been replaced by metal traps, the principle remains the same: lured by a decomposing fisb, the victim makes his way through a progressively smaller aperture until, once inside, be cannot find his way out.

I began to understand Hillman's warning after Chris had all five rebaited traps lined up on the *Franny Ellen's* stern. As he threw the first one overboard Hillman hit the gas and 600 feet of rope and 75lb traps began paying out at high speed. When you have to haul anything up to 750 traps a day you do not waste time.

As he worked, Hillman talked. He is the quintessential Yankee Down-easter – tough, resilient, enterprising and hard-working. He grew up on Casco Bay and began lobster-fishing when he was 12 years old. In the 1970s a hurricane sank his boat and be had to fight hard to get back into what is an expensive business – a lobster-boat tbese days costs upward of $60,000, a single trap $75. But Hillman loves boats and fisbing; they are only thing he knows.

He surprised me, then, by asking if I wouldn't like to become tbe owner of the *Franny Ellen* and all the gear that goes with ber. I would not even have to buy ber. All I would have to do was win ber.

Why? I asked. Six months ago, it turned out, a pile of lobster traps fell on Hillman, damaging his spine and injuring an arm. He is fast reaching the end of his trap-hauling days. When he put the *Franny Ellen* up for sale be received a number of offers from young fishermen, deck-hands wanting to start up on their own. But lobster-fishing is a risky husiness: while some skippers are in the six-figure income hracket, many more go bankrupt. None of Hillman's prospective huyers could come up with the bank loans they needed.

Hillman's solntion? He has set up an essay competition. If be can attract 2,000 contestants each paying an entrance fee of $50, he says, he can recoup the value of his husiness. He walks away with the entry money, and the writer of the best essay, to be independently judged, walks away with his boat, 750 traps and 14 miles of rope. The essay topic? Fishing, of course – 250 words of finely-honed prose on Ernest Hillman's favourite subject.

The morning wore on and slowly the tank on the Franny Ellen's deck filled with lobsters. In the end it turned out to he not too had a catch: at Cook's wharf we off-loaded about 300 of the little brutes, eacb with their claws carefully strapped tight with a pair of bright yellow elastic bands.

Later, flying home, I day-dreamed about those lobsters. I had no difficulty imagining them flying off, like me, to distant destinations. In my mind's eye I could see them roaming about restaurant display tanks in New York, diving into boiling vats of water in Rome, swimming through Newburg sauce on dinner plates in Paris. And, if I closed my eyes and thought vary hard indeed, I could see them in a trap on the deck of my very own lobster boat in Maine.

■ Readers interested in Ernest Hillman's essay contest may contact him on tel: (207) 833 6010 or fax (207) 833 5956. Deadline for essay entries must be postmarked on or *before October 15.*

Cookery/**Philippa Davenport**

Is there anyone for squash?

I confess I am a nosey parker. Sights and smells gleaned in other people's kitchens inspire me. In markets, supermarkets and specialist shops I find it hard to resist staring into other people's shopping baskets and mentally trying out recipes using the ingredients they are taking home.

In Spain, *on the plain of La* Mancha in the pumpkin season, I was led by the nose to explore the kitchen and larder of a saffron grower whose front door was ajar. Sbe was toasting freshly plucked saffron on a bair sieve placed over a wood-burning stove. An unmistakable smell. An irresistible lure. She welcomed me in.

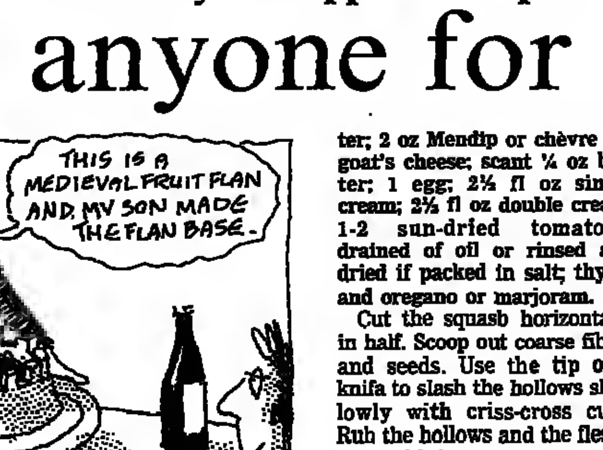
A rabbit caught in the garden that morning hung from a book, its muzzle neatly bandaged with gauze to staunch the blood. Bunches of grapes and tomatoes on the vine hung from other books, drying in the autumn sun, concentrating their sweetness for winter eating. There were shelves of preserves and a row of pumpkins and squash in the process of curing.

She offered me an aromatic, freshly baked slice of pumpkin. Not the usual crescent moon *slice you* might find elsewhere but the top slice or lid of a pumpkin. She had brushed it with fat, she told me, sprinkled it with spices and baked it cut side up with a sheet of foil laid over the top to protect against burning. It smelled delicious and looked wonderful.

She had cut it like this for practical reasons – in order to fit the narrow drawer-like oven at the bottom of her wood-burning stove. But the shallow cup shape and the ribs of the pumpkin gave the impression of a prettily fluted flan minus the pastry, a decorative idea I determined to copy.

Back in Wiltshire I bought a variety of colourful squashes witb which to indulge in kitchen experiments. I apologised to the shopper behind me for holding up the queue with so many purchases. As good fortune would have it she was intrigued by my selection and asked the name of one sort, pointing, so she told me apologetically, with fingers stained from picking mulberries most of the previous two days.

I pounced on her greedily, for mulberries are a magical fruit and impossible to buy on the open market, too easily crushed to be commercial. Yet they crop so heavily that anyone who has a mulberry tree tends to have more fruit than they can cope with.



I was planning a figgy dessert, I explained, and I thought that vinous-rich mulberrries might provide the perfect finishing touch. Any chance, I begged, that she could let me have some. Kindly she agreed. Hence today's second recipe.

GOLDEN NUGGET WITH GOAT'S CHEESE, TOMATOES & THYME
(serves 2-8)

Choose a flat rather than a ball-shaped squash if possible so that when cut in half each half looks a little like a deep fluted flan tin. The quiche-like filling is deliberately highly flavoured to foil the dense chestnut quality of the flesh. Cut the halved squash into wedges (like a pastry-less flan) for a first course for six to eight. Or allow one half squash per person for a handsomely rustic supper (in this case the squash is best eaten witb a spoon).

Serve with good bread and a salad on the side.

1 golden nugget squash measuring about 5½-6 in in diameter; 2 oz Mendip or chèvre log goat's cheese; scant ¼ oz butter; 1 egg; 2½ fl oz single cream; 2½ fl oz double cream; 1-2 sun-dried tomatoes, drained of oil or rinsed and dried if packed in salt; thyme and oregano or marjoram.

Cut the squasb horizontally in half. Scoop out coarse fibres and seeds. Use the tip of a knifa to slash the hollows shallowly with criss-cross cuts. Ruh the hollows and the fleshy rims with butter.

Sit the squash, cut side up, in a baking dish or in individual *oeuf sur le plat* dishes, propping them with wedges of bread as necessary to keep them level and steady.

Cover loosely with a dome of foil and bake at 400°F (200°C) gas mark 6 for 30 minutes, brushing the rims with melted butter once or twice as they cook.

Beat the egg lightly and mix it with the creams. Snip the tomato(es) into small pieces, add them to the creamy mixture and leave to soften while the squash bakes. Then stir in the diced cbeese, plenty of thyme, some oregano and sea salt and black pepper to taste.

Carefully spoon the highly flavoured custard mixture into the hollows of the squash and bake for 20-30 minutes more until the squasb is perfectly tender and the filling is softly set like a quiche-type custard. Serve warm, rather than piping hot from the oven.

MEDIEVAL FRUIT FLAN
(serves 8)

The ancient combination of saffron and honey, multi-seeded ripe black figs, wine dark mulberries and handfuls of nuts make this a memorable dessert – and it is simplicity itself to prepare if you cheat and buy a ready-made sponge flan case. If you cannot lay hands on either mulberries or blackberries, use one extra fig instead.

1 x 10½ inch sponge flan case; 1 x 200 ml tub of crème fraîche; ¼ teaspoon nr so of orange flower water; 4 level tablespoons runny boney; a good pinch of saffron; 4 very large ripe black figs; 4 oz ripe mnlberries or blackberries (optional); 1 oz pistacchio kernels (2 oz in the shell); ½ oz slivered almonds; ½ oz pinennts

Stand the jar of boney in a pan of hot water for at least 20 minutes so the contents become very liquid. Meanwhile pound the saffron to a powder with mortar and pestle, pour on 2-3 teaspoons boiling water and leave to infuse.

Sbell tbe pistacchio nuts, and toast the almonds and pinenuts in a fatless frying pan over low beat.

Beat the orange flower water into the *crème fraîche*. When smoothly hlended spread the creamy mixture over the flan base. Slice the figs and lay them, just overlapping, over the cream. Scatter with berries and sprinkle with nuts.

Measure the honey carefully into a small bowl tbat has been warmed by rinsing it out with hot water. (If you do not have a standard tablespoon (15 ml) measuring spoon, use a tableware dessertspoon – as the capacity of tableware spoons tends to be much greater than that of measuring spoons, and too much honey will make the flan oversweet.) Stir the saffron into the honey and drizzle the mixture over the fruit and nut filled flan.

Leave until cold before serving with a bowl of soured cream or *crème fraîche*.

FASHION

Charcoal single-breasted unlined coat, £169.99, by Matinique at House of Fraser stores nationwide.
Checked grandad shirt, £40, from French Connection branches nationwide.
Herringbone-weave, denim, single-breasted jacket, £290, by Hamnett Denim, 20 Sloane Street, London SW1 and Princes Square, Glasgow.
Camel/charcoal checked trousers, £90, by Designworks, 19 Avery Row, London W1. Tel: 071-355 4654.
Brown leather lace-up boots, by *Paraboot*, £155.
PHOTOGRAPHS: James Martin STYLING: Heath Brown

Versatility is the key to winter coats

***Heath Brown** chooses some hard-working classics*

Long herringbone double-breasted coat, £450 by Paul Smith, 41- 43 Floral Street, London WC2.
Wine cord shirt by Browns Own Label, £65 from Browns, South Molton Street, London W1.
Charcoal single-breasted jacket, buttoning to neck, £198, by R. Newbold, 7-8 Langley Court, London WC2.
Camel moleskin trousers, £36.99 from next branches nationwide.
Brown leather boots with wraparound lacing, £59.99 from Shelley, 266-270 Regent Street, London W1. Tel: 081-450-0066.

Navy gaberdine unstructured single-breasted three-quarter-length coat, £310 by R. Newbold, 7-8 Langley Court, London WC2.
Cream slub silk knit cardigan with satin-bound rever collar, £183, by Designworks, 19 Avery Row, London W1. Tel: 071-355 4654.
Fine check cotton shirt, £135, by Dries Van Noten at Browns, 23 South Molton Street, London W1. Tel: 071-491 7833.
Claret velvet trousers, £98, by Designworks as above.
Brown leather lace-up boots by Paraboot, £155, at Office Stores nationwide.

When a businessman buys an overcoat its suitability for work is a priority – which usually means a degree of sobriety; cloth that is dark, lines that are tailored in classic style. Ooce acquired this is often the only serious coat he owns – for weekends and off-duty hours pseudo-mountaineering styles and *faux* country looks take over and he usually dons an anorak or, possibly, a waxed jacket.

But the formal weekday mantle need not be banished to tbe closet oo Friday nights. Classically traditional overcoats can be made to work a seven-day week if you choose carefully.

Today's eclectic fashion mood means a well-chosen greatcoat can be sharp and effective wben arriving at a high-powered meeting, yet stylish and relaxed if teamed with a beavy fisherman's sweater and a pair of corduroy jeans.

It would work equally well with layers of unstructured shirts and tops.

David Mullane, the buyer for the high fashion emporium, Warehouse, in Glasgow, says: "The more classic the coat, the more suitable it is to be worn casually as well."

Indeed, the better fashion designers have realised this and are producing more classic coats that can happily cross the divide between office and bome, from city to country, and become one of the most versatile garments in a man's wardrobe.

Traditional city looks have been plagiarised and adapted to mix and mismatch in looks from designers such as Katharine Hamnett, Giorgio Armani and Paul Smith.

They bave brougbt traditional coat styles, such as the velvet-collared Chesterfield and tbe double-breasted paddock coat, up on to the catwalk. British and Italian designers are pilfering the traditiooal city wardrobe and creating new classics from old.

Dolce e Gabbana, the Italian design duo, are leaders in this post-modernist design ethic, gleaning trends from the well-groomed commuter and marrying oversize Crombies aod double-breasted woollen car coats with sporty leggings and corduroy.

The real appeal of these coats is that they offer high quality and high style and long-term value.

A beautifully-made garment in an avant-garde style may be a thrilling fashion statemant but it is far too frivolous for many to contemplate. Money spent on a long-lasting classic, that can be worn in many different ways, makes a lot of sense.

Today's male customer is much more interested in fashion and design than his father. He wants fabulous clothes that are well-made, recognised and admired by others, and yet are not too showy or aggressively fashion-conscious.

Adrian Clark, *fashion editor* of Fashion Weekly, welcomes a return to traditional tailoring and classic coats. But be reminds us that too casual a look does not look right in the city.

"The ridiculous treod for wearing waxed jackets over pinstripe suits on the city commuter circuit should be put away ooce and for all. By all means wear your city coat to the country pub but never be tempted to add rural charm to your nine-to-five two-piece. Versatility works in only one direction – from smart to relaxed," he says.

To create the relaxed look with the overcoat, soft layers and chunky knits loosen the rigidity of the tailoring. Be careful or you may end up lookiog like a first-year arts student.

Match your clotbes to the quality of your coat (which ought to be the best you can afford). Heavy boots and textured trousers, such as cord or moleskin, can complement weightier woollen coats and contribute to an overall image that is robust, modern and manly.

When choosing this most important of garments these basic points must be considered. Make sure that there is enough room for your suit underneath to allow you to move freely. Always wear your suit when choosing and buying and do not be embarrassed to wave your arms about to make sure it is roomy enough.

Go for the best quality wools and natural fibres or, if possible, cashmere or microfibres for a less heavy, easier wearability.

If you are short, opt for knee-length, single-breasted styles. If you are taller, choose longer, calf-length styles that are perhaps double-breasted or belted. Cboose plain, dark colours or fine, woven feint-banded browns.

Finding the perfect winter coat may take hours. Department stores can be disappointingly mediocre wben it comes to outerwear. Exceptions are Harrods, Simpsons, Burberry's and most larger branches of Austin Reed where good names, such as Chester Barrie, Crombie and Daks, can be found.

Fashion stores, too, offer some great ranges – and not necessarily at more expensive prices. The oew Jigsaw for Men range has a selection from £165. Harvey Nichols bas a slightly higber-priced range but offers top quality. This season's best buys are at Joseph with its own Joseph Homme range outshining the designer labels.

Black double-breasted full-length wool barathea coat with half back-belt, £334, by *Joseph Homme, 26 Sloane Street, London SW1.*
Zip-neck mock turtleneck sweater in beige melange, £70, by John Smedley at Harrods and Harvey Nichols, London SW1.
Biscuit suede biker's jacket from selection at Katharine Hamnett, Sloane Street, London SW1 – to order.
Black leather trousers, £79.99 from Empire Stores Catalogue. Tel: 0345-200400.
Black leather lace-up boots by Paraboot, £155, *from Office Stores nationwide.*

HOW TO SPEND IT

Crafty gift ideas with cachet

***Lucia van der Post** considers the pleasures of owning hand-made goods*

To all those who think of the crafts as o peripberal phenomenon, it might come as something of a surprise to learn that in 1993 some 13m people visited a craft sbop or gallery.

The Crafts Council has just produced what it calls an independent socio-economic study of craftspeople whicb says that there are about 25,000 working in England, Scotland and Wales.

These are interesting figures and evidence that the pleasure people get from making things by hand is almost matched by the pleasure others getting from owning objects that are not mass-produced. The figure, though, that would really interest me is what kind of a wage craft workers make.

The difficulty, as always, lies with the fact that few retailers bave woken up to a shift in people's tastes. It still remains true that those wbo long for things that are individual, one-off, hand-made and desirable have few places to go where they can regularly be sure of seeing them. Peripatetic craft markets and market stalls are still the most common way for craftspeople to sell their wares.

However, many enligbtened retailers discovered some years ago that just a few quirky, idiosyncratic artefacts in their shop could bring a lot of life and fun to the business of selling life's necessities.

Joseph, always a touchstone for retailers, has been selling furniture by designers such as André Dubreuil, Tom Dixon and Mark Brazier-Jones, and chandeliers, candelabra, glass and ceramics by other makers.Sales may be limited but Joseph understands that they lend a bit of dash and pizzazz to the atmosphere of the shop as well as providing a much needed platform for designers.

Egg, one of the sensational retailing successes of the year – Maureen Doherty, its owner and buyer, had to shut ber shop during August as she had nothing left to sell – is loved by its customers because it is not like any other emporium.

Besides the ranges of Indian cotton khadi trousers and jackets – and beautiful silks by Asha Sarabhai – there is always a selection of exquisite hand-made pots and hand tie-dyed silks and smocking, goods made with love and care.

Nicole Farhi, in ber airy new shop in New Bond Street, London, has gone to the trouble of scouring Italy for hand-made pieces; wooden stools, glass vases, quirky plates, bowls and wrought-iron candlesticks. (Although one wonders why it has to be Italy when there is so much that is splendid in the UK.)

Admirable tbough these retailers are, there is still the big problem that there are not enough who think as they do and that crafts sold through standard retailing outlets have to absorb a huge mark-up (100 per cent plus VAT) and this puts the goods beyond the reach of many.

With its carefully sifted works, Chelsea Crafts Fair has become one of the biggest forums for arts and crafts in the UK. Last year some 28,000 visitors trooped through its doors

All of which brings me to Chelsea Crafts Fair, which opens on Tuesday and runs until October 23.

Many Weekend FT readers have become regular fans, going back year after year to look for special anniversary or Christmas presents, to find a craft worker who will make a one-off piece of furniture, a made-to-measure chest of drawers, candlesticks of specific dimensions or jewellery for a special occasion.

Last year some 28,000 visitors trooped through the doors of Chelsea old town hall in Kings Road, London and the fair bas become one of the biggest, best-known forums for arts and crafts.

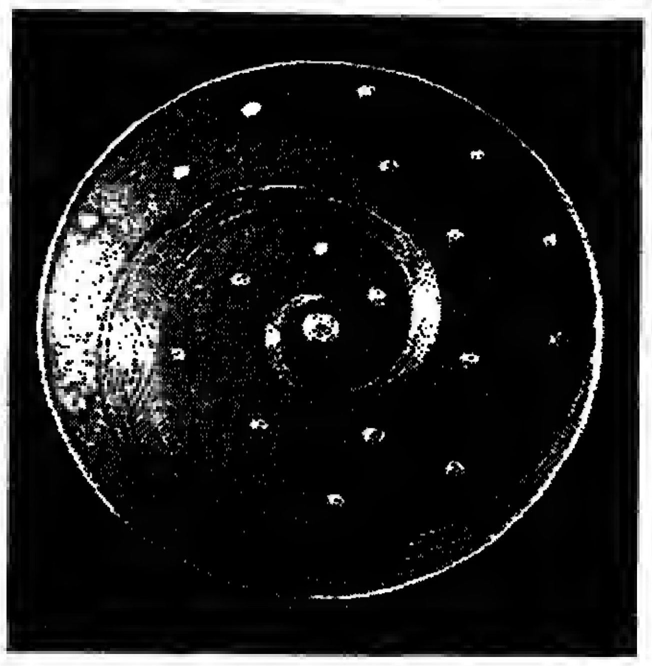
The work has been sifted carefully – far more people apply than can be accommodated – but tbe result is a big and varied exhibition where almost every craft is represented. Fashion, textiles, ceramics, glassware, jewellery, toys, papier mâché and bookbinding – tbere ought to be something for everyone.

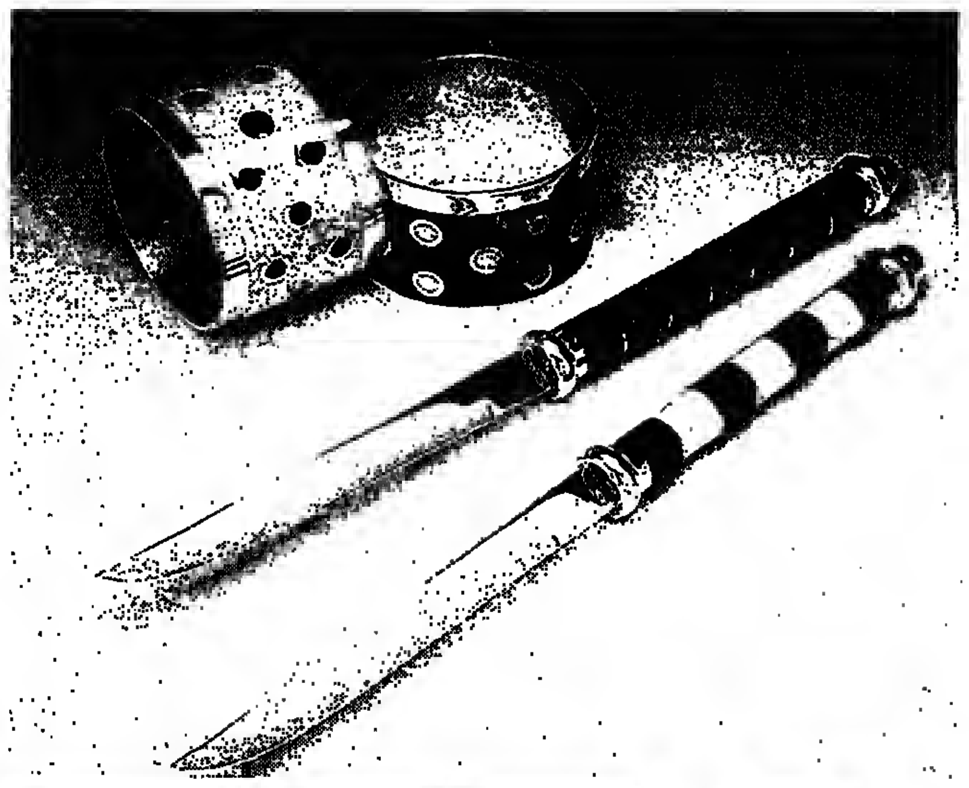
Do not, however, expect everything to be cheap.

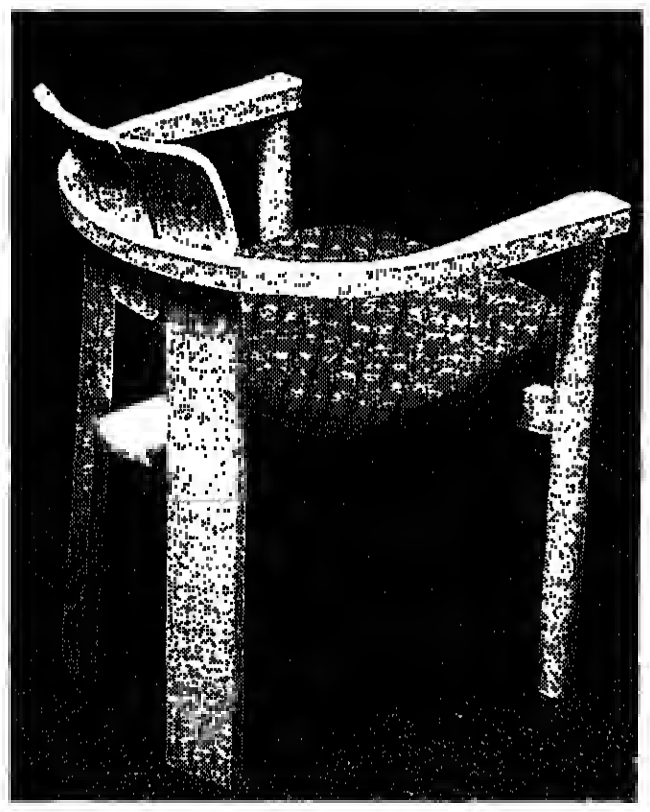
Many people who ought to know better persist in fceling that hand-made goods should cost less than macbine-made articles but, although crafts often do represeot wonderful value, they cannot be cheap if fine materials (solid wood, gold, precious stones, silver, enamels) and intricate workmansbip have been used.

I urge London readers not to miss the Chelsea Crafts Fair. There will be a completely different set of exhibitors each week so it may well be worth going twice. The fair opens from 10 am to 8 pm, Tuesdays to Saturdays, and 10 am to 6 pm on Sundays. Entrance fee is £7 for one visit each week, £5 for a single visit.

Finally, if you have time today, hurry along to the last day of the Goldsmiths' Fair, at Goldsmiths Hall, Foster Lane, Londoo EC2V 6BN. Jewellers and silvcrsmitbs will be showing and selling a vast range of jewellery, cutlery, salt and pepper pots, claret jugs, vases, goblcts etc – again a marvellous place to pick up special presents. It is open from 11 am to 7 pm. The £1 entrance fee includes a catalogue.







TOP LEFT: a black Mandala brooch in oxidised silver with a precious metal decoration and coloured diamonds by Alan Craxford, £1,950.

LEFT BELOW: lion's head brooch in 18-carat yellow gold set with blue tourmaline accent stones. The lion's head is formed from a finely carved citrine. By Stephen Webster, £8,000 both from the Goldsmiths' Fair at the Goldsmiths' Hall, Foster Lane, London EC2V 6 BN which is open from 11 am until 5 pm today.

CENTRE: Octopus chair of stained Sonthern yellow pine by Fiona Lynne Clark, £350, on show the first week at the Chelsea Crafts Fair.

TOP RIGHT: Solid silver enamelled napkin rings (£114 each) and paper knives (£136), by Claire Underwood. First week at Chelsea Crafts Fair.

BELOW the napkin rings, LEFT, Captain's chair in ashwood by David Colwell and Roy Tam who together make up Trannon furniture. £370, first week at Chelsea.

BELOW the napkin riogs, TOP RIGHT, a ribbed pot made from grass by Jnles Tattersall, 24 cms in diameter, £95, Chelsea's first week.

BOTTOM RIGHT, one of Jools Elphick's idiosyncratic knitted hats which range in price from £78 to £153. First week at Chelsea.

Cuddly appliances for a dream kitchen

***Lucia van der Post** tests designs for the caring '90s*

Have you heard about tbe sweet, caring 1990s? In case you had not noticed we have left the bad, greedy, tough 1980s behind and now we all are all supposed to be as soft as pussycats, full of peace and goodwill. This, at any rate, is the message the fashion pundits have been trying to press upon us. Now it has reached the kitchen.

Alessi, a bugely innovative and enterprising Italian company most renowned for its fine cookware and its collaboration with French designer Pbilippe Starck, has joined forces with Philips, the Dutch company most renowned for its efficient but visually unexciting domestic appliances, to produce a small Philips-Alessi line of kitchen aids.

They have clearly taken the new 1990s to their hearts. Soft pastel colours, cosy rounded shapes, cute little cuddles between the two parts of the coffee maker ("the two parts snuggle up to eacb other like cuddly pets," say the makers) - all this says Philips-Alessi, is part of a partnership designed to "rehumanise" the kitchen.

Alessi has a fine record for managing to combine innovative design with genninely improved function. I still think the range of cookware it devised with soma of the world's top chefs way back in '87 is one of the best and, whatever you think of kettles with sweet little singing birds, Alessi has injected a lot of wit and fun into what could otherwise be sombre utilitarian objects.

Certainly it was a desire to inject some warmth into the kitchen that inspired the collaboration. Stefano Marzano, Director for Philips Corporate Design, perceived among 1990s people a desire to recreate the Elizabeth David ideal of the kitchen as "the beart and soul of home life." Or as Alberto Alessi puts it: "Philips tended to see design as a way of satisfying *needs*, whereas we were inclined to see it as a way of fulfilling *dreams*. By combining these two approacbes... we believe we've created the best of both worlds."

The toy-town-meets-Disney aesthetics seem to be part of an attempt to humanise the objects and the companies' statements are spattered with anthropomorphic phrases. The products, they say, "clearly form a family." And: "Clever, 'buman' touches in the design provide the products witb extra personality which... will encourage users to feel more involved in the rituals of food and drink preparation." All very nice, too.

But do they work? Alessi and Philips between them do seem to have gone to immense trouble over function.

The citrus press, for instance, works silently and quickly, the glass simply sits beneath the spout which after the juicing is over can be pushed back so that there are no drips.

The toaster has a sensor system which means every piece of bread is toasted to the same colour and the slot is able to cope with large, thick slices of bread. The kettle is cordless, boils one litre of water in just over three minutes and has a scale filter. All are made from combinations of polypropylene and stainless steel.

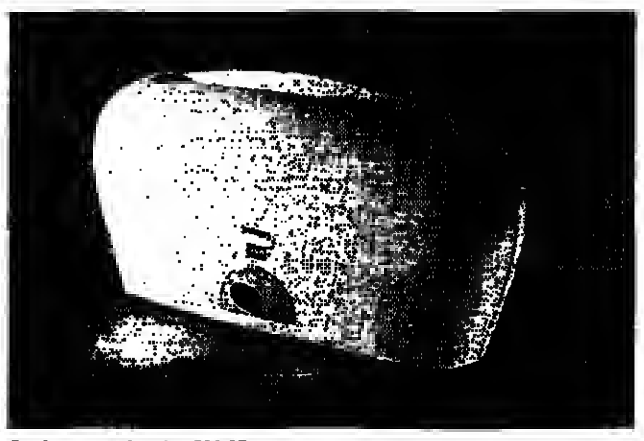
Like most artefacts with strong personalities, these will not be to everybody's taste but those who love them will tove them dearly.

■ Three of the products (the citrus press and toaster) go on sale today in Harrods of Knightsbridge, London SW1, Selfridges, John Lewis and many other stores throughout the country, including House of Fraser Stores outside Loodon. The coffee maker will be on sale in January.

Citrus press, £79.95

Cuddly coffee maker, £139.95

Grass green and red kettle, £89.95



Cool, creamy toaster £99.95

PROPERTY

Instant heritage: the new homes that look old

***Rosalind Russell** investigates the steadily-growing market for period houses that are designed and built carefully to appear what they aren't*

There are people who would sooner confess they beat their dogs than admit to living in a house built after the second world war. Georgian, Queen Anne or Victorian – even Edwardian is acceptable – trophy homes are as desirable as a Land Rover Classic (as a *second* car), or the best school for the children.

Among the aspirant classes however, are many who baulk at paying the period home premium because they are wary of inheriting old house crankiness. Increasingly, the solution is to commission a new house which is designed and built to look old – a kind of off-the-peg heritage.

In East Anglia, Stephen Mattick builds homes with traditional, vernacular pargetting that blend seamlessly into the neighbourhood. In Surrey, Paul Sweeney's new houses look so convincingly old that a local planning officer insisted they must be conversions.

In Wiltshire, Andrew Pownall-Gray, financial planning consultant with Allied Dunbar, chose Peter Borchert to design and build a "new" Georgian home. He and his wife, Judy, even sold a real Georgian house to do it.

"She was dubious because she has always lived in period properties," says Pownall-Gray. "But when she saw what Peter had done, she became an instant convert.

"It is not always easy to find the house you want in the £300,000 to £400,000 range. We wanted something which was cheap to heat, had well-proportioned rooms and didn't have too many skeletons in the cupboard."

You might think it's Lutyens...but you'd be wrong. Orchard House, near Henley-on-Thames, Berkshire, is a mere two years old although built in "traditional Lutyens' style". Offers of around £1.2m are being sought

Borchert, an aeronautical engineer and pilot – he owns part of a Tiger Moth and is helping to renovate a Walrus, a second world war seaplane – before turning to house design, employed brickwork, windows and roof slates as they would have been used in the late-Georgian period.

"There are few examples of large period country houses that haven't been got at," he says. "Where there is affluence over a period of time, people have had the money to change the house by ripping out many of the old features. To create a new one is an alternative."

Another attractive inducement, he points out, is that value added tax does not apply to new building although VAT must be paid on materials used in restoring an old house. This certainly was a consideration for the Pownall-Grays.

The final bill for their five-bedroom house was £130,000, in addition to land costs of £140,000. When they sold it recently, they got £285,000 – which must be considered a modest success, considering the limp condition of the housing market.

"The advantage of having the house built was that we had a full bespoke service," says Pownall-Gray, who is now renting while he looks for a site where Borchert can build him a large country house. With two children *in situ*, plus nanny, and twins due in November, more space has become a priority.

Borchert's previous experience includes a courtyard of new, traditionally-designed buildings including a swimming pool, pavilion, orangery and cottage in the grounds of The Grange, a restored manor house near Salisbury. At present, he is working on five new cottages – including thatched, timber-framed, flint and brick, and rendered cobb – in the Dorset conservation village of Winterbourne Dauntsey.

Borchert admits locals were apprehensive at first about his planning application, but adds that they have subsequently been reassured as to his honourable intentions. "There *is* a place for modern architecture but not in housing," says Borchert, whose views on the subject have much in common with those of Prince Charles.

"We can suffer it in a car park, or a civic building. The worst examples are in concrete and glass and there's a coldness about them. They have no living qualities."

It is an attitude that provokes fury in the modernist camp, a leading exponent of which is Czech-born Jan Kaplicky. He says repro houses are on a par with film sets.

Future Systems, the company he runs with Amanda Levete, has recently designed a four-level house in Islington, north London, with two solid walls and roof and two glass walls. Sitting between two protected buildings in an area where even the trees are on the protection register, it has attracted six pages of breathless excitement in *Vogue* magazine.

If Kaplicky had tried to build it in Edinburgh New Town or Stow-on-the-Wold, locals would have burned his effigy in the street, his "thoughtful, dreamy lyricism" (according to *Vogue*) notwithstanding. But Kaplicky is defiant. "Every other country in Europe builds thousands of modern houses," he says. And he insists that the fact he was born in Prague, home to some of the most beautiful baroque architecture is "irrelevant".

"Only in [Britain] is there a mental block. I fully respect houses from any period, but you can't build copies. You don't have the craftsmen who can do it without an extraordinary financial premium. They can't build the quality like they used to when people worked for pennies."

Kaplicky cites Poundbury, the model village being built in Dorset with the support of Prince Charles, as proof of his theory. He describes it as "awful, from what I've seen on television. It's basically Hollywood".

He adds: "I don't think it is the case that you should match existing houses in a village when you are building a new one. Time goes on. You can't tell the inhabitants they must drive only old cars or horses and carriages. It's nonsense."

Yet, nostalgia is getting younger. Sir Edwin Lutyens (who died in 1944) is being copied, too. Orchard House, a two-year-old, five-bedroom, red brick house near Henley-on-Thames, Berkshire, is designed in what estate agent Knight Frank and Rutley describes as "traditional Lutyens style".

To assist its assumed identity, it was planted in a mature plot which includes river frontage to the Thames, large trees, and a lake fed by an ancient moat. Less traditionally, there is a garden lighting system with a programmable waterfall into the lake. The three-bay garage block, flanked by stone balustrades, is designed to match the house and offers of around £1.2m are being sought for the whole property.

Savills, which is selling a genuine Lutyens house for £450,000 in rural Northamptonshire – admittedly, not as desirable as Berkshire – says the proof of the pudding is in the ingredients. Even a repro will command a good price if the materials used are of high quality and it is a top of the market house. This is especially so for overseas buyers who want to walk into a house without having to deal with expensive maintenance bills.

John D. Wood is also selling a genuine Lutyens: the Dutch House, near Dorking, Surrey, for £400,000. That sounds like a snip – until you realise it stands on the busy A24 dual carriageway.

Who would pay more than a million for a copy? "A true Lutyens' fan *would* pay a premium for the real thing," admitted Knight Frank and Rutley's Andrew Rome, when pressed. But he added: "The beauty of a new house is its modern facilities. Placed in a very old setting, as is Orchard House, it is a *perfect* combination."

PROPERTY AND GARDENING

Cadogan's Place

Cheer in the UK rental market

The UK market for buying and selling houses may be patchy, but the London rental market is thriving.

Third-quarter statistics from Cluttons London Residential, show an average increase of 4.5 per cent in the quarter and of 10.6 per cent year-on-year. But the steep quarterly increase is unlikely to remain strong since it merely reflects the peak months when people relocate before school starts. This year, as economic recovery continues, more corporate staff are on the move than a year ago.

The prime areas of Belgravia, Knightsbridge, Kensington and Chelsea have led the recent charge with quarterly increases of more than 5 per cent. But, on an annual view, Fulham takes the prize with a rise of 20.9 per cent.

Aylesford reports that the average rent for its lettings has increased from £480 a week a year ago to £515. Most properties are in the £400-£600 range.

These increases will improve yields, which were 10 per cent in 1992 and 1993 but had fallen as property prices rose. For the prime areas, 8 to 8.5 per cent is now feasible.

Investor-landlords seeking a still higher yield should turn to Battersea, Clapham or Fulham – which are not the parts of London on top of American corporate tenant lists.

American tenants in the UK are usually on company lettings. These are always strong in central London, forming 36 per cent of Aylesford's tenants in 1993-94 as against 23 per cent from the UK.

For 1991-93 the US proportion was higher at 43 per cent, and the UK 19 per cent. UK tenants mostly take assured shorthold tenancies, which give the landlord security of repossession under the Housing Act 1988. (Company lettings come under commercial law.)

Unfurnished lettings are on the increase. Americans often prefer empty premises and the chance to ship over their own furniture and household items.

Letting property abounds with quirks of law and practice, including coping with the Inland Revenue if one is a non-resident landlord. To guide landlords through the maze, Cluttons London Residential has published *The Lettings Handbook*, which aims to cover all the problems in a practical way. Call 071-824 8822 for a free copy.

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Property insurance is equally rich in difficulties, especially for listed buildings. The hugely expensive fires at Uppark and Windsor Castle, have put older properties in the spotlight.

Owners who worry about what perils to cover, and how much cover they need, will find *A Guide to the Insurance of Listed Buildings and their Contents* helpful.

This is produced by Jackson-Stops with brokers Gauntlet Heritage and Lycetts, Phillips, the auction house, Thames Valley Fire Protection and Sell Wade Postins, historic building architects.

There is advice on saving money on flood, subsidence and contents insurance, types of fire alarms and what is involved in reinstating buildings after damage (since rebuilding costs vary sharply for older properties).

The report costs £5 from Jackson-Stops & Staff, 22 Hans Place, London SW1X OEP.

Gerald Cadogan

Cypress Leylandii: the greatest garden monster ever let into Britain

Glyn Genin

Monsters on the loose

***Robin Lane Fox** wants his cypresses cut to size*

In this kind autumn, my garden has its successes at last: a second season on the yellow-flowered clematises of which the Bill Mackenzie variety is much the best; yet more flowers on a new deep blue salvia called Indigo Skies which looks much too good to survive a hard frost; better Asters, of which more soon, and a stupendous crop of berries, already set on Sorbus vilmorinii, that superb small tree.

Successes are heartening, but they are overshadowed by progress in another department. The greatest garden monster ever let into Britain has put on another growth spurt and, in the next few days, the survivors will cost me several hundred pounds in order to reduce them to size.

Why ever did we let Leylandii cypress trees on to general release? Uninformed gardeners buy them for good reasons: privacy, boundaries and fear of the neighbours and their ideas of bearable architecture. The little trees grow wildly at first, but we now know to what heights this wildness goes. No-one knows it better than I, who bought a garden with more than 200 Leylandii, planted in the early 1970s.

In open country, the first principle of Leyland management is much the same as the one now applied at UK motor plants: engage gear and charge the assets head-on with a hired JCB digger, its front bucket will then eliminate the roots.

Tree surgeons will quote you prices as high as a Leylandii for felling it scientifically, but the tree snaps easily when charged with a digger. The roots come out easily with a little bucketing because they do not go far and wide. They tend to point downwards like the sides of a modern cork-screw. The JCB method is much the cheapest, but it would not be popular in a heavily built up area.

As my Leylandii approach their 25th birthday, they are 60 ft high and increasing ominously in girth. Old age accelerates their progress: the upper 20 feet have been put on in the last six years. I have tried to view them artistically, like those great cones of greenery in the background of the highly-prized paintings by David Inshaw in the 1970s. The attempt has failed because the texture, colour and scale of these trees are all awful. So I have applied Leyland management principle number two.

In the early years of their arrival, the books used to say that an old Leylandii would never recover if it was severely cut back. This advice is now known as the Lord Stokes principle. In fact, these sprawling monsters are almost forgiveable if they are severely reduced in height and slimmed in size. If you cut back into old wood, it will soon be covered by a renewed curtain of grey-green feather.

This week I am having to fork out for a severe Leylandii reduction, knocking 30 ft off the top with the only consolation that the huge clippings can be recycled through the shredder as next year's mulch. If a Leylandii essential to your garden plan is overpowering you, ignore the experts and cut it neatly: it will soon recover from the wound.

After reduction, the trees can be brightened up using an idea which occurred to me three years ago. Use the remaining hedge as a support for vigorous climbing roses. I have started a race between some of the best-known white-flowered ramblers. The winner is the spectacular Rambling Rector, followed by the lesser-known – and much scarcer – Long John Silver.

Varieties with heavy tangles of growth are less satisfactory because they refuse to lie flat against the cypresses' soft curtain of feather. Bobbie James is always a sound bet, but the weight of growth is a problem.

White-flowered roses show up very well, but this year, I have found their equal in a pale buff-yellow variety which is ignored in garden centres.

Among roses, the one equal to the monstrous cypress is the stupendous white rose called Kiftsgate. The original plant, in Kiftsgate gardens, Gloucestershire, is still powering away up tall beech trees and along a thicket which is now hundreds of yards wide.

Few people know that this terrifying rose once fathered a child: somewhere, it leapt on a defenceless Hybrid Tea variety and the result is known as Treasure Trove, sold by Peter Beales in Norfolk.

Its young growth and leaves are plum-red and it races up Leylandii with some of the vigour of its wayward parent: the small flowers appear freely in clusters during late June and turn to a shade which reminds me of pink grapefruit. I may have introduced an equal monster, but so far I think that Treasure Trove is a find for anyone who has been landed with these frightful hedges.

At ground level, there is one seasonal compensation. A few feet away from the roots of your reduced Leylandii, you should plant flowers, the hardy Neapolitan cyclamen, in shades of pink and white, is perfect for this time of year.

On the sunny side of the hedge, you can add the large-flowered Colchicums which look like huge crocusses in autumn: they must have sun if they are to flower properly, whereas the cyclamen will prosper in shade. Leave them to seed gradually, assisted by passing ants and your own careful distribution of any visible seedlings. This ant-like activity in the shadow of a "hedge" is one small compensation for the dreary, loose curtain of feathery green above.

COLLECTING

Art to warm a winter evening

Autumn in Manhattan brings the chill and the International fair writes ***Paul Jeromack***

By mid-October, Manhattan has settled in for the long winter. The air usually has a bracing snap and Manhattan society is looking forward to welcoming the winter season in the way it knows best – by buying something.

The stage is set for the sixth annual International Fine Art and Antiques Fair, which holds its gala opening in the Park Avenue Armory, in Manhattan, on Thursday, October 13. The show runs until Thursday, October 20.

The International is organised by Brian and Anna Haughton, London ceramic-specialists turned entrepreneurs. It made its debut at a time when its biggest rival, the long-established Winter Antiques Show, was going through an acrimonious time, involving accusations of mismanagement by its former chairman Mario Buatta, widespread defections of established dealers and, most important, revelations that several items featured by its leading exhibitors had been, in the words of one discreet colleague, "creatively refinished and embellished".

The Winter Antiques Show was shaken by the International's strict vetting policies. These determined authenticity and the amount of restoration of every item proposed. The International became a venue where the prospective buyer could relax and buy with confidence.

"We won't have imitations in," said Anna Haughton. "For instance, there are perfectly good 19th century ceramics that are exact copies of popular 18th century models. Even though many of these were legitimately produced, and the dealer may represent them as 19th century, they would not be permitted at the International show because they are straight copies. There is no problem with 'revivalist' pieces of a later century: they are clearly of their time."

Still, the vetting procedure is not without its problems. At the Haughton's first Fine Art Fair in New York last spring, several exhibitors complained that the vetting committee (made up mostly of other exhibitors) occasionally placed personal rivalry above aesthetic considerations, expelling items that should have been included, and vice-versa.

It can be difficult to get objective vettors, as several curators and restorers from the Metropolitan Museum were forbidden to participate. Nevertheless, Anna Haughton said: "Each year, we have more and more outside vettors. This year we have 90, and 30 of them are museum curators."

When asked who they were, she demurred, saying: "there are always some people who don't want to be listed." Although a list was promised, Haughton backtracked a few hours later, telling me: "We have decided not to publish a list of vettors this year."

The most important painting ever featured at the International Show was Bernardo Bellotto's "Fortress of Konigstein," featured in Bruno Meissner's booth in 1992. Its exhibition there was instrumental in its subsequent sale (for approximately £6m) to the National Callery of Art.

While there are still a good number of picture and drawing dealers exhibiting (Richard Green returns with his Impressionists and Old Masters, featuring works by Canaletto and Camille Pissarro, and first-timer Jill Newhouse with Old Master and nineteenth century drawings including an early Turner Watercolour of Florence and Degas' study of Julia Belelli), the International has developed into more of an "object" fair.

Unlike European collectors, Americans have not yet warmed to the idea of buying Old Masters at fairs, and it remains to be seen whether the Haughton's spring Fine Art fair can convince them otherwise.

While the International has no stated yearly theme, this year a several exhibitors feature Oriental sculpture and Orientalist-inspired European and American works of art. In the former category, veteran Newn York dealer Boh Ellsworth has a rare Chinese bronze chariot group consisting of two horses, a chariot driver from the Han dynasty. Michael Goedhuis, of London, will show a similarly large number of monumental Chinese works in bronze and iron, including a large 13th-century Iron Head of Lohan and a 17th-century bronze Buddhist Lion, originally a guard for a private shrine, one of a handful of pieces signed by the caster Shunsei.

In addition to many works of modern and ancient European art, the Belgian dealer Axel Vervoordt also features Oriental sculpture, including a large Chinese Song dynasty Seated Lohan of lacquered wood. Doris Wiener offers Indian and Cambodian sculpture; she is showing a life-size 11th century Khmer sandstone figure of Shiva, a notable 10th century Canesha and Elephant-beaded Deity known as a 'Remover of Obstacles and Bestower of Worldly Success' from Java. The Chinese Porcelain Company has a 19in high Khmer bust of a 10-armed Goddess Durga from c. 960-965. Earle D. Vandekar of Knightshridge will show a decorative pair of 18th-century Chinese bronze Lion-dogs.

Partridge Fine arts offers orientalist furniture including a red-lacquered Chinoiserie bureau-cabinet (c 1720) attributed to Master Martin Schnell who worked in the service of Emperor Augustus the Strong at Dresden. Frederick P Victoria features two elaborate Chinoiserie painted over-doors, probably made for the Villa La Favorita, and a Chinoiserie folly created by the King of Naples after he took up residence in Sicily at the end of the 18th century.

Orientalism of a different sort is featured by Margot Johnson, who specialises in the American Aesthetic-movement specialist. She has a delicate Japonesque inlaid table by LeJamhre of Philadelphia c 1880, (in addition to several fine pieces of furniture by Herter Brothers). David Pickup (one of the most popular exhibitors), offers a British Aesthetic-movement brass canopy bed from around 1872 complete with its original pink-and-oatmeal embroidered cover and drapes.

Most of the dealers are enthusiastic about their prospects. Says Michael Goedhuis: "People are looking forward to it – it is the first item on the social agenda this autumn. They have not been spending very freely in the past three or four years, but there is a lot of anticipation this year.

"It is hard to get a handle on what's going on in the art market today, though. You cannot pan out the same old boring rubbish about people being 'only interested in the top line.' But this show is very good. Only Biennale in Paris makes more money for its dealers, although the rest of Europe is fairly dead. The hig market remains in America."

'Cavaliers and ladies' by Anthoine Palamedesz, 1634, will be shown at the International Fine Arts and Antique Dealers show, in New York

Fiac optimism prevails

Made homeless by the closure of Paris's Grand Palais, this year's 21st Fiac contemporary art fair is housed, until October 16, in accommodation supplied by culture minister Jacques Toubon – some 14,000 sq m of white tent on the Quai Branly, near the Eiffel Tower.

Slightly fewer galleries, 160 as compared to 168 last year, are taking part and the foreign contingent has shrunk from 79 to 67 dealers, including seven British galleries, hut only eight Americans as against 14 last year.

Even if the Fiac now comes second to the Basla Fair in June as Europe's top contemporary arts show, the tone this year is still optimistic.

Declared trading at last year's fair rose to FFr150m (£18m) following an all-time low of FFr100m in 1992 and organisers hope that 150,000 visitors will pay FFr50 each to crowd under the canvas over the coming week.

The recession has radically affected prices – as much as 50 per cent lower than during the boom years of the 1980s – and the art on show. Many dealers have abandoned the staid, big-name works, once reckoned a good bet in hard times, to invest in younger, low-priced artists and thus in genuine contemporary art.

To encourage this trend, this week's Fiac, instead of spotlighting galleries from a guest country as in previous years, is inaugurating a special section called "nouvelles tendencies", housing 35 galleries showing works by young artists.

Paintings by Paul Pagk, the British artist, are being shown by the Toulouse gallery of Eric Dupont, who is also exhibiting Hyun Soo Choi, the Korean, and the young Frenchman Musee Khombol. The Marc Jancou Gallery from London's Foley Street, a Fiac newcomer, is exhibiting pieces by British artists Jane Simpson, Martin Creed and Jasper Lester.

Several major galleries, such as Paris's Durand-Dessert and Alain Blondel are making do with a selection of works by their stable of artists hut almost 70 other stands are staging shows by just one or a handful of people: Paris's Galerie Lahumiere, for example, is exhibiting 10 works by Auguste Herbin, covering the artist's very varied career from 1917-1959, at prices from Ffr500,000 to FFr1.8m (£60,000-£220,000).

Fellow Parisians Artcurial are devoting their display to the work of five women artists, Sonia Delaunay, Natalia Dumitresco, Germaine Richier, Margaretha Farner and the Danish Sonja Ferlov.

Nicholas Powell

ARTS

A rare bird in the world of opera

Wernicke: 'I like singers to join me on a voyage of discovery'

Andrew Clark talks to Herbert Wernicke, a German producer who reads music and designs all his own productions

Every work of art contains an enigma, and if there is no enigma, it is kitsch. These words trip off Herbert Wernicke's tongue as if they were the stuff of everyday conversation. Wernicke must be one of the most matter-of-fact personalities on the continental opera scene today – but when he gets to work, he is also one of the most imaginative. Few directors are better able to balance the world of ideas with the demands of practical theatre.

Wernicke's production of Wagner's *Ring* opens at the Frankfurt Opera next Tuesday. First staged at Brussels in 1991, it was widely admired for its clarity, immediacy and magical effects. Using a single set and carefully-selected visual leitmotifs, it has the unity of style which characterises all Wernicke's work. With the same conductor, Sylvain Cambreling, and much the same cast, Frankfurt is lucky to have inherited it.

Wernicke, 48, is a rare bird among German opera producers: he can read music and he designs all his own productions. The son of a painter and picture-restorer, he began his career as a stage designer in the early 1970s. After directing a handful of plays, he produced his first opera in 1978, and has never looked back.

He spent much of the 1980s earning a reputation for contemporary settings of baroque and romantic operas. The Brussels *Ring* was his international breakthrough, opening the way for *Boris Godunov* at this year's Easter and summer festivals at Salzburg. He has also shown a lighter side in his uproarious operetta productions.

Forthcoming projects include the world premiere of Theo Loevendia's new opera about the Dutch wartime resistance (at the 1995 Holland Festival), *Der Rosenkavalier* for Salzburg next summer, Schoenberg's *Moses und Aron* for the Châtelet in Paris and *Les vêpres siciliennes* at the Vienna State Opera. He would love to direct in Britain, but has never been invited.

With his narrow-rimmed spectacles, casual dress and dry humour, Wernicke is the liberal German intellectual *par excellence* – but where theatre is concerned, he is never less than practical. The walls of his atelier in Basle are plastered with architectural plans giving the exact stage measurements of theatres he will be working in, and his design-models have a draughtsman's precision. "He's not the kind of director who chooses a concept and tries to make the opera fit", says a long-standing colleague. "There are no counter-productive ideas. That stems from the fact that he began as a designer. He has a clear idea of how he wants each work to look – and that usually means simple and powerful."

His controversial Munich production of *Der fliegende Holländer*, for example, was set entirely within the walls of a bourgeois living room, like a nightmare in familiar surroundings. His Basle *Cosi fan tutte* resembled a Club Mediterranean holiday island, where young love was superficial, blind and promiscuous. His Salzburg *Boris*, in modern dress, used a stark, abstract framework to make a bleak statement about the exercise of power.

All Wernicke's work has a political viewpoint – or, in his own words, "a socially critical message. You have to find new ways of interpreting old pieces, of making them believable and relevant to society today. That doesn't mean a singer should never stand still to sing an aria. Opera is a law unto itself – it exists in a different time. You have to have the courage to say: you, the singer, must sit and think about your situation. That is your reality. As long as you're saying something about people and not about stage conventions, it has its own legitimacy."

Stage conventions are Wernicke's *bête noir*. Social conventions, on the other hand, are the lifeblood of opera, giving Wernicke the key to works as diverse as *Die Fledermaus*, *Der Rosenkavalier* and *Carmen*. "You have to show these conventions intelligently. I'm not a Brechtian – I don't believe in pointing the finger. But you must make clear why you're doing the piece. It's a permanent conflict: you want to leave room for entertainment, but at the same time you have to make people think."

So he has no intention of resorting to Spanish clichés when he stages *Carmen* in Basle next month. There will be no flamenco costumes, no matadors (except for Escamillo) – none of the fictional, folkloric Seville most people have been taught to expect by big-house productions. In Wernicke's eyes, Bizet's masterpiece is a tragic entertainment in the opéra-comique tradition, with spoken dialogue and a reduced orchestra.

Carmen, he says, is not a pouting sex-bomb, but "an ideal which can never be reached in bourgeois society – the representation of absolute freedom. That's what fascinates Don José. She stands outside society, she is a threat to petit-bourgeois values. She has to be flushed out of the system, because she has something no-one else has. As in *Don Giovanni*, society learns nothing – it breathes a sigh of relief when the 'evil' non-conformist has been put away."

Wernicke's ideal interpreter is someone who has never sung the role – or at least has no preconceptions. "I like singers to be curious. It doesn't matter if they are good or bad actors – as long as they are willing to join me on a voyage of discovery. I want to stretch them to their limits, so that they make it as believable as they can. I don't demand the impossible, but if a singer senses he or she can do something which was previously beyond their capabilities, I've achieved something. With some it comes very quickly, with others over a period of weeks, and with a few – never. A beautiful voice on its own is never enough for the theatre."

Manchester's Modernist comes to light

***William Packer** reviews Karl Hagedorn, Derek Jarman and Cindy Sherman*

The Whitworth Art Gallery of Manchester University has a reputation for imaginative temporary exhibitions that take risks, or look again at forgotten artists. Two such are running at the moment.

Karl Hagedorn was born in Freiberg in Germany in 1889, but his antecedents remain a mystery, albeit a romantic mystery. He was supposedly an illegitimate son of Kaiser Wilhelm II – *hagedorn* means blackthorn, a name often taken to indicate the royal *bend sinister* in Germany. Certainly the several self-portraits in this exhibition, in youth and old-age, in their particular likeness to Kaiser Bill, do nothing to confound such speculation.

He came to England in the mid-1900s, settling in Manchester where he studied under Adolphe Valette, who was also Lowry's teacher. He was naturalised in 1914, was called up in 1916 and served out the war in Flanders with the Middlesex Regiment. He left Manchester in the 1920s for London, where he was active in the circle of the Royal Society of British Artists, which included Minton and Carel Weight. He also taught for many years at Epsom School of Art, so he was not exactly unknown to the London art world.

Only after his death in 1969, however, did the early work come to light, on which this exhibition's claim for his being "Manchester's first modernist" rests. For the tragedy of his middle years was the death, in 1928, of Anne, his only child. In his grief he abandoned his modernist ways and asked Nellie, his wife, to destroy all his old work. Instead she hid it.

So it is we discover once more the lively work of a committed young artist, already well-travelled in the years before 1914, and familiar with such as Derain, Matisse – whom he visited – and Picasso. He was also knew the Vorticists, Lewis, Bomberg and their friends, and the Bloomsbury avant garde of Fry and Grant and Bell.

If what he did does not now exactly shatter our perception of modernism in its great days, it was quite enough to stir up a little local controversy when he showed with the Manchester Society of Modern Painters in the autumn of 1913. "Mr Hagedorn's rhythmical expressions", said the Manchester Evening News, "include one which happens to be a sea-green man – Robespierre was pink to him – another seems like a kitchen dresser after an earthquake..." *Plus ça change*... It is an intriguing and charming revival.

The late Derek Jarman's last works, *Evil Queen*, are hardly charming, but they are intriguing, and given the circumstances in which they were made, even moving. Through his last decline, unable to paint himself, Jarman directed an assistant in achieving these manic, expressionist swirls and vortices of pigment and colour. They are truly desperate things, for the palpable hurt and anger they express, powerful enough even without the final fierce inscriptions, scoured out of the paint, that were Jarman's only direct contribution to the work. Ouch; Dead Sexy; Dizzy Bitch; Scream; Do Lalley; Ataxia (Aids is Fun) – the cries grow weaker, the surfaces thinner, as Jarman himself fades away.

This is not great art. Jarman began and always claimed to be a painter, but the truth is that he made his greater contribution through his films. His painting, rather, was ever impulsive, opportunistic, unsustained, and it is only the special pleading of his particular condition that would make it more. That is not to say, however, that this sad exhibition is not a most poignant testament to our times.

Finally, a brief mention of Cindy Sherman, who is herself the subject of her remarkable photographic works. Yet it is never self-conscious or self-celebratory, for she takes on the impersonality of the true actor. She has shown frequently in London, but never before in the country at large. The show at the Manchester City Art Galleries offers a concise summary of her career, from the Untitled Film Stills of the late 1970s, through the ever-larger colour images of the '80s to the disturbingly gynaecological sex images, with their dismembered dolls and disembodied masks, of the '90s. She is a satirist and a surrealist of real power.

Manchester's First Modernist – Karl Hagedorn: Whitworth Art Gallery, Manchester University, Oxford Road, Manchester, until November 26, then to Chris Beetles, London. *Evil Queen* – Derek Jarman's Last Paintings: in association with Richard Salmon, Boddingtons and Granada Television. *Possession* – Cindy Sherman: Manchester City Art Galleries, Princess Street, Manchester, until November 6; in association with Boddingtons.

Self-Portrait with Pipe, 1915, by Karl Hagedorn – who was supposedly the illegitimate son of Kaiser Wilhelm II

Saleroom/**Susan Moore**

Furniture shines up its image

Not so very long ago, antique furniture – most especially the brown English variety – occupied a genteel backwater of the international market. Suddenly it is centre stage. Now it is not paintings but top-drawer furniture – and those decorative items the dealers and auction houses offer with it – that is being gift-wrapped with splendid catalogues, world tours and black-tie evening sales, and it is furniture that is riding a roller-coaster of spectacularly successful sales and record prices.

In 1990 the J. Paul Getty Museum paid a record £8.6m for the so-called Badminton Cabinet; last year a piece of English furniture, the "Anglesey Desk", made over £1m. In December, the collection of furniture, silver and other objects belonging to the couturier Hubert de Givenchy, again sold through Christie's, this time in Monaco, realised £17.67m.

Its handsome catalogue included a separate volume, with a marathon 25-page catalogue entry, for the great silver "Hanover Chandelier" made for George II to the designs of William Kent. The catalogue for the forthcoming sale of treasures from Houghton at Christie's in December promises to be even grander.

It seems that furniture and what used to be called the decorative arts are no longer the poor relations to painting and sculpture. The best have been accorded the dignity and status of works of "art", not "craft". Every aspect of design and manufacture is a subject of study, every detail of provenance recorded. Like the Rokeby Venus or the Portland Vase, these masterpieces also take their name from the great houses or collectors who once claimed them.

The changing status of furniture is due in large part to the coming of age of furniture history. Enormous inroads have been made into the – still shadowy – world of cabinet-making since the Furniture History Society was founded in 1964. Now that it is possible to devote 25 pages to the description, history, provenance, etc of a Kent chandelier or six pages to an ormolu Matthew Boulton mantel clock – the sort of treatment once only meted out to a great Picasso or a famous Old Master – who can fail to be impressed?

It is not only the auction houses that have benefitted from the collecting public's apparent susceptibility to glossy, authoritative catalogues. John Hobbs, a former partner in the London furniture dealers Carlton Hobbs, believes the business really took off after the publication of its first exquisite, scholarly catalogue of stylishly presented furniture. The firm played a large part in establishing a taste for flamboyant Regency furniture, and for levelling out the difference in prices between exceptional pieces, be they French, Italian, Russian or English.

Revealingly, in John Hobbs' ambitious new venture in partnership with Paris-based dealer Ariane Dandois – eight gallery spaces of impressive furniture, sculpture and works of art in the old Design & Decoration Building at 107 Pimlico Road – there are no less than three full-time researchers.

Given that English rather than Continental furniture is rarely signed and poorly documented, the auction houses have astutely focused on provenance. Recent auction successes have revealed that 20th-century provenances can be made as enticing as those of the 18th. In 1991 Christie's sold the Sam Messer collection for £7.7m, doubling the pre-sale estimate and establishing a record for a collection of English furniture. Its catalogue essay outlined the important role of the furniture historian and connoisseur F.W. Symonds on post-war collecting. Now it seems that any piece from a Symonds collector or collection is charmed and destined for great heights.

The Messer sale was a turning point. It re-established a taste for rich and restrained carved Chippendale furniture that seemed particularly appropriate to the new decade. The trade was alarmed by the gung-ho estimates. Messer's splendid George III commode attributed to Chippendale bore an estimate of £250,000-350,000; the hammer came down at £850,000.

At the Geoffrey Blackwell sale in 1992 – another Symonds collector – estimates were far from conservative. Even so, a George II walnut mirror estimated at £20,000-30,000 was knocked down at £85,000, a George II burr walnut kneehole dressing table (estimate £40,000-50,000) at £125,000. In July, a George II walnut card table that had belonged to Percival Griffiths, Blackwell and Sir James Caird, fetched £120,000 hammer, four times the lower estimate.

These extravagant prices beg the question that if the auction room is the best place to sell a great piece of furniture, can it be the best place to buy? The furniture market may be in danger of over-heating. No one would benefit from collectors and dealers left with a glut of over-expensive, unsaleable furniture on their hands. But unlike the overblown Impressionist market of the late 1980s, it is still not possible to buy a piece of furniture in January and sell it at a profit in July.

Drama decidedly off the mark

The story is told of a little girl watching the state opening of parliament who pointed out the Lord Chamberlain in all his finery and loudly enquired, "daddy, what's that man *for*?" Its a useful question to pose of plays every so often, and the Stray Dog company's production of David Ashton's *The Mark* founders upon it.

Ashton (author of Bush Theatre Productions *A Bright light shining* and *The Chinese Wolf*) chooses to dignify his three-acter by allotting a separate title to each 30 minute act and calling the result a trilogy, but the puffery of such a move is implausible. The scenes tell in reverse chronology of a simple-minded lad, violently sensitive about his facial birthmark which gives the play its title, who murders his brother for not being the golden boy he envisaged: first we see the increasingly cracked Johnny by his brother's graveside on his release from prison, then the parents keeping funereal vigil by the body several years earlier, and finally the real relationship of the teenage brothers.

Of the three scenes, only the last contains any inherent element of stage drama; the others, burdened as they are almost entirely with story telling and recollections rather than any direct inter-action between characters, suggest that the play may have started its life as one of Ashton's numerous radio works.

Rather than attempting to transcend these limitations by playing to the emotions and suggested complexities which the script does contain, Daniel Slater's lumpen direction tries to create drama where there is none: Neil McKinven's Johnny, with his brother's grave in front of him, addresses alternate sections of the audience as his dead sibling, for no apparent reason; and Anny Tobin, as the grieving mother, Theresa, is pushed into realms of archetype which the character cannot sustain. Only Jake D'Arcy has the courage entirely to refuse such reductive direction and play Theresa's husband, Willie, in the more natural register in which he is written; D'Arcy's performance is at odds with those around him, but an admirable relief in itself.

Only in the last half hour are McKinven and Shamus Gubbins as idolised brother Tommy allowed to attain what should be the general tone of the play – an awkward intimacy in which their empathy is undermined by moments of misunderstanding and outright cruelty. However, both in terms of writing and performance it is too little, too late.

This brotherly relationship is the foundation for a story, but remains a long way from explicating all that we have seen before; the actors' performances elicit only frustration at having sat through such simplistic over direction for the last hour. Stray Dog must do more to earn its meaty chunks.

Ian Shuttleworth

At The Cockpit until October 29 (071 402 5081)

BOOKS/ARTS

Private passions, public lives

Clement Crisp abhors the muck-raking in recent biography

"I don't care what people do, so long as they don't do it in the street and frighten the horses".

The comment was made at the time of Oscar Wilde's trial, and what an admirable rule it could still prove today, when the publisher's office is mistaken for the confessional, and rubbing the reader's nose in the dirt is the justification for a good advance on royalties.

Once upon a time there was something called private life. It was no-one's business what people got up to unless they left the bedroom and the horses (and the moralists) reared up in alarm. No longer so. If stage or screen or sport – or, heaven help us, politics – is your stamping ground. The new style biography is a lubricious bore. "Prurience pays" is the rule, and dirty linen (chiefly bed sheets) is washed and hung out for all too see. A recent cartoon in The New Yorker put it succinctly: it showed a hack at his typewriter with the muse at his elbow urging "More sleaze".

In these dark days for life-stories, the real *vice anglais* is not an addiction to the whip but to the keyhole. The kiss-and-tell brigade is everywhere, though bang-and-boast is a better name. Even without the latest royal romance – whose author should perhaps have called herself Doris Pasternak – there has lately been a vulgar recounting of Pamela Harriman's life in barely-readable Time-speak, and the tasteless garrulities of Sarah Miles are now available in The Times. Muck-raking is replacing aerobics as fashionable exercise: readers are forced to be voyeurs. We live in the age of zoom-lens biography.

Now come the stories of two celebrated male dancers, Rudolf Nureyev and Irek Mukhamedov, with authors eager to tell all. I am increasingly in favour of biographies that may be said to tell nothing, and keep the skeletons in the closet. (Is it not high time a lot of things were forced back into the closet from which they have emerged?). The discretion that marked Margot Fonteyn's autobiography, with no mention of intimacies, did not prevent its being a wonderful record of her life, and one which later, grubbier revelations do not diminish. It is the secrets of her artistry, not her amours, which are of public worth. Her friends knew of her loves and maintained a silence about her personal life, which says much for them, and for her own grace as a woman. Yet in Peter Watson's *Nureyev*, we are told of her pregnancy by Nureyev, and of an allegation that she "took out a contract" to kill the man who had shot her philandering husband, Roberto Arias. The value – and the credibility – of this stuff escapes me.

With serious creative talents, sexual nature must bear strongly upon the products of that talent. But to be force-fed the storms and traumas of Mukhamedov's first marriage in Jeffery Taylor's biography, or to learn from Peter Watson of Nureyev's bath-house partners, seems to me both crass and unnecessary. Sexual gossip may have some passing interest as social comment, but for the most part it trivialises more than it enlightens. Does it make any difference to our understanding of Mukhamedov as a superlative dancer to learn that a "minder" tried to climb into bed with him in Northampton, and was beaten off? Do we learn more about Nureyev by knowing that in Hollywood's gay community he was called The Great Vaselino?

Peter Watson's *Nureyev* (Hodder & Stoughton £20, 470 pages) is by turns fascinating and exasperating. It combines admirable research about Nureyev's Russian years – some gleaned from KGB files – with material of the flimsiest interest about such individuals as Andy Warhol, at which moment it becomes a narrative auditioning for the front page of the cheapest tabloid. Nureyev was a promiscuous homosexual, haunting bars and bath-houses. His later years, fighting against disease and the decline of his physical powers, are tragically set against the Aids plague.

His sexual identity was significant, but it was only one aspect of a driven personality that lived most truly on stage. Performance and applause were his drugs, and everything came second to them, even the wild round of his passing conquests. Apart from the classic dance, his greatest love was that balletic Apollo, Erik Bruhn, and their vexed relationship – Nureyev as both lover and as challenging and destructive rival – is well told. Yet there is an element of lubricity in the narrative, of gossip for discreditable gossip's sake, that I find unnecessary – not least in sections dealing with Fonteyn's life.

A serious problem, too, is that Watson gives little evidence of understanding the ballet world in which his subject was so central. This book should have been edited by someone competent in dance matters to remove the abundant errors in name and fact. I must also note that Watson's account of Nureyev's last appearance on the stage of the Paris Opéra, after the first night of his *Bayadère*, minimises the dignity of his behaviour, which I saw. He was indeed supported by two of the dancers, but his final salute showed him princely still in gesture, and undefeated.

His last months are best understood through the beautifully written and piercingly observed account by Rudi van Dantzig, the Dutch choreographer, who visited Nureyev in the Quai Voltaire flat where he died. It was printed in the programme book for a London gala in Nureyev's memory in March this year. The dignity and precision of its writing make this book seem meretricious, and the use of chatty captions for the photographs – "Douce François, who once dressed as a man to get into Rudolf's good books" – is not without significance. I suppose it is the sort of hectic memoir Nureyev's life off-stage merited. The grander story of his art on stage has yet to be told.

Whether Irek Mukhamedov should have countenanced Jeffery Taylor's "authorised" biography (Fourth Estate £18.99, 237 pages) is also a matter where art and gossip conflict. His life, like Nureyev's, brings insights into the secretive world of Soviet ballet, and into the shaping of a superlative talent. But Mukhamedov is still in his prime, a dance-actor of astonishing power and sensitivity. His ability to move from the Bolshoi Ballet's soaring heroes (Spartacus and their ilk) to the soul-searching challenges of MacMillan's Archduke Rudolph or the Foreman in *Judas Tree* is testimony to his rare gifts. These will demand proper analysis – but not yet, and Taylor does not essay it. Instead we are offered a seething account of Mukhamedov's first marriage. It is of quite staggering lack of interest.

We are at the keyhole again. reluctant witnesses to other people's quarrels. In the real world there is little so off-putting and tasteless; on the page it is massively tiresome. Bad behaviour is a bore, and hugely as I admire Mukhamedov the dancer, I cannot believe that these marital storms are significant when considering his artistry.

What Taylor has done is to inflate a Sunday supplement article about a great Soviet dancer adjusting to the West into a narrative bloated with passion and recriminations. The book's value lies in its first-hand account of Mukhamedov growing up, with less than encouraging detail of life and political in-fighting at the Bolshoi. But it is premature as biography, and uninteresting save in placing Mukhamedov in his artistic setting. It serves this great dancer less well that his talent deserves.

Artists and their artistry, not their amours, are of enduring significance: Margot Fonteyn with Rudolf Nureyev Keith Money

Cabaret set for revival

London swings! Oh no it doesn't. Of all the major cities of the world London is among the most dreary and unimaginative when it comes to night life. Anyone who fancies a well-rounded celebration – a good meal, an exciting cabaret and then a lively, or romantic, dance, had better get real.

It is not so bad if you are under 30. In fact these days it is quite lively. There are the proliferating comedy clubs for a start, and if you are young and smart you can spend your evenings queuing up outside dance clubs, waiting to be rejected by the all mighty doormen.

But anyone falling at this hurdle, and committing the even greater sin of maturity, faces an impoverished choice. Where are the gay night clubs of the 1920s and '30s, even of the '40s and '50s. All long gone. If you like jazz, Ronnie Scott's is as reliable as ever, certainly the jokes are unchanging. At Pizza on the Park, you get to hear some half forgotten names in comfort (Julie Wilson is currently there). But traditional cabaret haunts are almost as extinct as white ties and tails.

In recent months there has been another attempt to lure the middle aged, middle classes, out at night. Hotels like the Dorchester and the Lanesborough have joined the Savoy in adding a torch singer to the traditional background pianist, at least at weekends. And the Café Royal has gone all the way, creating the Green Room, a cabaret spot where you can also dine and dance.

The Green Room has been going for a year now, and recently had its first sell out season with the Three Degrees. Much encouraged, it is booking acts well into next year. The choice is worryingly eclectic, throwbacks to British television of the 1960s, like the Bachelors, jostling alongside such greats as Bobby Short, the American cabaret performer who keeps alive the tradition of Coward and Hutch; and Freddie Cole, brother of the more famous Nat.

In a way this sums up the Green Room: while Barbra Streisand was selling out Wembley at £250 a ticket, her sister Roslyn Kind was playing the Green Room at £20. But there have been intriguing bookings: songwriter Jimmy Webb for example, as well as sightings of such long lost stars as Frankie Vaughan and Sasha Distel.

What can you expect from a visit to the Green Room? Well the cost is fixed – £48 for meal and cabaret, £20 for the show alone. But no one goes to the Green Room for the food. The action starts around 9.15pm; the lights go down, blotting out the fact that by day the Room hosts conferences of brand managers; and a star appears.

Until October 15 it is Tony Martin. Yes, that Tony Martin, the romantic Hollywood lead of the 1940s who crooned to such leading ladies as Judy Garland, Shirley Temple and Lana Turner, and who ended up marrying one of them, Cyd Charisse. The Tony Martin who introduced Begin the Beguine and for whom Jerome Kern wrote "All the things you are".

In search of night life, Antony Thorncroft finds Tony Martin at the Green Room

He is in amazing shape and the finest vocal fettle. The face and the hair might be works of science rather than nature but his vocal range and breath control are staggering. For Tony Martin is galloping towards his 82nd birthday, and needs absolutely no critical favours. Unlike a younger rival, Sinatra, he remembers the lyrics; he has also learned new songs, like "The wind beneath my wings".

That is the attraction of cabaret. It might be a dying art form, but watching Martin with his anecdotes about Irving Berlin, and his obvious pleasure in still hitting and holding the notes ("'All the things you are' is an octave plus five", he points out), gives you a last, lingering, look at one of the 20th century's greatest artistic heritages.

Tony Martin is at the Green Room, Café Royal until October 15. (071 437 9090)

Show Boat steams into Broadway

Karen Fricker reviews Hal Prince's production

Nearly everything about Hal Prince's production of *Show Boat*, which opened on Broadway last Sunday, is huge: the budget, $8.5m; the cast, over 70 performers and 30 musicians; the venue, the cavernous Gershwin Theatre; the ticket prices, topping at $75, a new Broadway high; the hype, a blitz of TV, radio and print advertisements; and the expectations. With only one other major opening this autumn (Lloyd Webber's *Sunset Boulevard*), New York is hungry for a hit.

So why is *Show Boat's* emotional impact so small? The problems are not musical. With a company of marvellous voices, Prince's production is a celebration of Hammerstein and Kern's classic score which includes such favourites as "Can't Help Lovin' Dat Man", "Make Believe", "You Are Love", "Bill", and "Ol' Man River". This last, as sung by rich-voiced Michel Bell, brings down the house. But the production fails to disguise the musical's dramatic faults, which remain as evident on Broadway as they did at the production's opening in Toronto a year ago.

Show Boat, written in 1927, follows 30 years in the lives of an extended show-business family on the Mississippi paddle-steamer, Cotton Blossom: the bickering father and mother, Cap'n Andy and Parthy Ann; their innocent daughter, Magnolia, who is swept away and eventually done wrong by the charming but raffish gambler, Gaylord Ravenal; and the boat's leading lady, Julie, who is driven off the ship when she is revealed to be of mixed race.

This introduction of serious social issues – racism, gender politics, family conflict – into musical comedy was to revolutionise musical theatre. Nearly 70 years later, however, the innovation that it triggered has left *Show Boat* way behind. There are levels of realistic human behaviour and dramatic resolution we have come to expect from our musicals and *Show Boat* simply does not deliver. Characters serve as representations of ideas rather than complex, believable people; and motivations and emotions are left troublingly unexplained – as with the show's ending, in which Magnolia takes Ravenal back, 25 years after he walked out on her, with not so much as a raised eyebrow.

Prince has skilfully updated the show's treatment of race by removing references that contemporary audiences might find blatantly offensive (the first word of the show is no longer "niggers" but "colored folk"), while not covering up the racial inequality that was a fact in America during the time the show is set. But attempts to beef up the show's flimsy characterisation are too few. We could use many more touches like the moment added by Prince in which Julie, who disappears without explanation from the original musical, appears briefly late in the second act, washed-out and dissolute.

Far from advancing plot and character, the show's few scenes of dialogue wander and drag, particularly those between John McMartin and Elaine Stritch as Cap'n Andy and Parthy Ann, who turn in the show's least convincing performances. McMartin overplays the Cap'n as an addled, fey, pathetic showman (as did Robert Morse, whom he replaced during the show's Toronto run), and Stritch's unmistakeably contemporary persona makes her presence on the Cotton Blossom a complete anachronism. The remaining central performers – Rebecca Luker, Mark Jacoby, Dorothy Stanley, Joel Blum, and Michel Bell – are attractive and in excellent voice; buttery-voiced Lonette McKee particularly stands out as Julie.

This is Prince's first production of an existing musical – he made his name with his roles in the creation of such new musicals as *Sweeney Todd*, *Company*, *Phantom of the Opera* and *Kiss of the Spider Woman* – and it is perhaps his distance from the material which has contributed to the *Show Boat's* stately pace and reverent tone. The few typically Princean directorial touches add welcome life: set changes are executed in full view of the audience; supernumeraries move constantly on the periphery of the action; costume and dance montages, joyfully choreographed by the ingenious Susan Stroman (*Crazy for You*) provide the show's most effective and entertaining moments.

For those for whom price is no object, a ride on this floating musical theatre museum would surely not be a waste. The rest, be advised: the cast album, on Livent Records, costs only $11.95.

Chess No 1042: 1 ... Bg3+! 2 Ke4 gxf5+ 3 Kxf5 Bb8 4 Ke4 h4 5 Kf3 h3 6 Kf2 Bh2! keeps out the WK and wins.

BOOKS

A temperate look at the Tories

***Alan Clark** enjoys the reminiscences of a witty man doomed to rejection by the party leaders*

Julian Critchley was in Parliament for a very long time. He watched the Tory Party change (the enpbemism is "adapt") and did not much like what he saw. So for historians he is e valuable source. We enjoy the bonus of his literary style and his powers of observation: there (in 1962) is the prime minister "who would attend upon the '22 (Committee) with difficulty, nervously fingering his Brigade tie". Bnt 20 years later it was "pull np our socks" and "we've got work to do."

As a diarist, an impressionist really, the anthor has this delightful tight tonch which, like a watercolour by Cézanne, is so delicate in its use of colour as to please the connoisseur but leave (perhaps) the philistine puzzled or impatient. (This was also true of much of the way Critchley commented and conducted himself in Parliament, I may say.) Take this introduction to a visit to Harold Macmillan: "... Birch Grove, a modern country house the back of whicb abuts on the Bluehell Line, a preserved steam railway often to be glimpsed on television."

Future students will be able to write a whole doctoral thesis on Critchley's economy of language, and the gentle tone of mockery which pervades his treatment of even the most *sententions topics.*

Hare be is on one of the "safest" bits of his own constituency: "Fleet, a curiously dull early 20th-century planned town where retired Colonels and their ladies hang like an army of bats in the mouth of some Goanese cave."

At one point the author falls foul of Lord Grimston, a nonentity wbo chaired the Carlton Clnh (foolishly and youthfully Critchley had entertained Jo Grimond to lunch there). Critchley was summoned to apologise and an appointment was agreed. A Lucky Jim sequence followed. Pouring rain, no taxis, no buses, no (after some hour and a *half) Critchley. A cross note from* Grimston awaited him when finally he turned up. But the episode is neither enlarged on nor subsequently referred to until much later. Critchley (at that time pretty broke, no longer an MP and now writing about wine) brings into the club as a guest Cyril Ray, a tiny left-wing twerp who also postured as a wine buff: "... luckily there was no sign of Lord Grimston".

A BAG OF BOILED SWEETS
by Julian Critchley
Faber £17.50, 256 pages

*Rancour, that chemical insepara*ble from the human condition, especially when in introspective "mode", is almost entirely absent. Only two colleagues are categorised as "nasty bits of work". George Wigg, who undoubtedly was one, and the hapless Robin Maxwell-Hyslop (whom I always found ecceotric and combative but, nonetheless "a good sort"). Michael Heseltine, wbom poor Critchley was deluded into thinking of as his "best friend" (there is a revealing description of Critcbley being slowly frozen ont from both the house which they shared and the job to which Heseltine had *appointed him*) is confirmed as callous and single-minded but (my interpretation) so obsessionally egocentric that even the Tory Party, when it came down to it, would do anything to avoid having him as leader.

There is a profusion of anecdote. Some, many, we have heard before, hnt they continne to give pleasure being literarily Homeric. They have entered into myth, and enjoy continning and adaptive embellishment.

One omitted, and worth recounting because it may illuminate his "difficult" relationship with the then prime minister, is from a dinner held in 1988. There is e photograph in the book which the author has pleasingly and characteristically captioned "the remnants of the 1959 intake ('qnite ... the worst of my experience' – RA Bntler). The woman in the middle is Mrs Thatcher." At the conclusion of this meal Jolian had the trickyish task of introducing the prime minister. "Margaret, what can I say about yon that has not been said already?"

Acknowledging this, in that special sugary tone wbich she reserved for those whom she disliked, the prime minister opened "Julian, what can I say abont you which *you* haven't said already?"

And I snppose that much of this delightful book has, by the author himself, been "said already." But it is lovely to beve it all under one cover: the testament of a clever, witty man who loved politics but was doomed to rejection. Critchley mourns the transition of his party from Knights of the Shires to Estate Agents and Motor Dealers. Bnt reading him carefnlly will reveal that the author was too fastidious for acceptance by either.

Identity crisis in the US

The best way to find out what people are thinking is to go out and ask them. Haynes Johnson, e journalist on the Washington Post, has epplied this simple maxim – too often forgotten by those who work in the metropolis – to build up his portrait of an America bewildered by decline and wracked by pre-millennial tensions.

His wide-angle lens captures a middle class defending past gains behind security gates while city services and schools collapse, medical costs soar, crime, guns and drugs proliferate and jobs are lost to overseas competition and post-Cold War defence cuts.

The citizens of the US are suffering an identity crisis, Johnson finds, in a society where race and gender are overwhelming the sense of American-ness. "At present the forces that divide America are greater than those that unite us." Yet, he concludes, he is not writing the obituary of the American Dream, only describing an interlude in its reclamation.

Their testimony suggests that Americans are no longer seeking scapegoats for their ills. They are finally waking up to the fact that they have been spoilt by post-war prosperity and must now take a cut in living standards. They are waking up to the consequences of their tax-strike and credit binge while the budget deficit exploded: to tbeir strika against a federal government they had been taught to despise as wasteful and malign; and to their regicidal treatment of their own presidents.

DIVIDED WE FALL: GAMBLING WITH HISTORY IN THE NINETIES
by Haynes Johnson
W.W. Norton £19.95, 431 pages

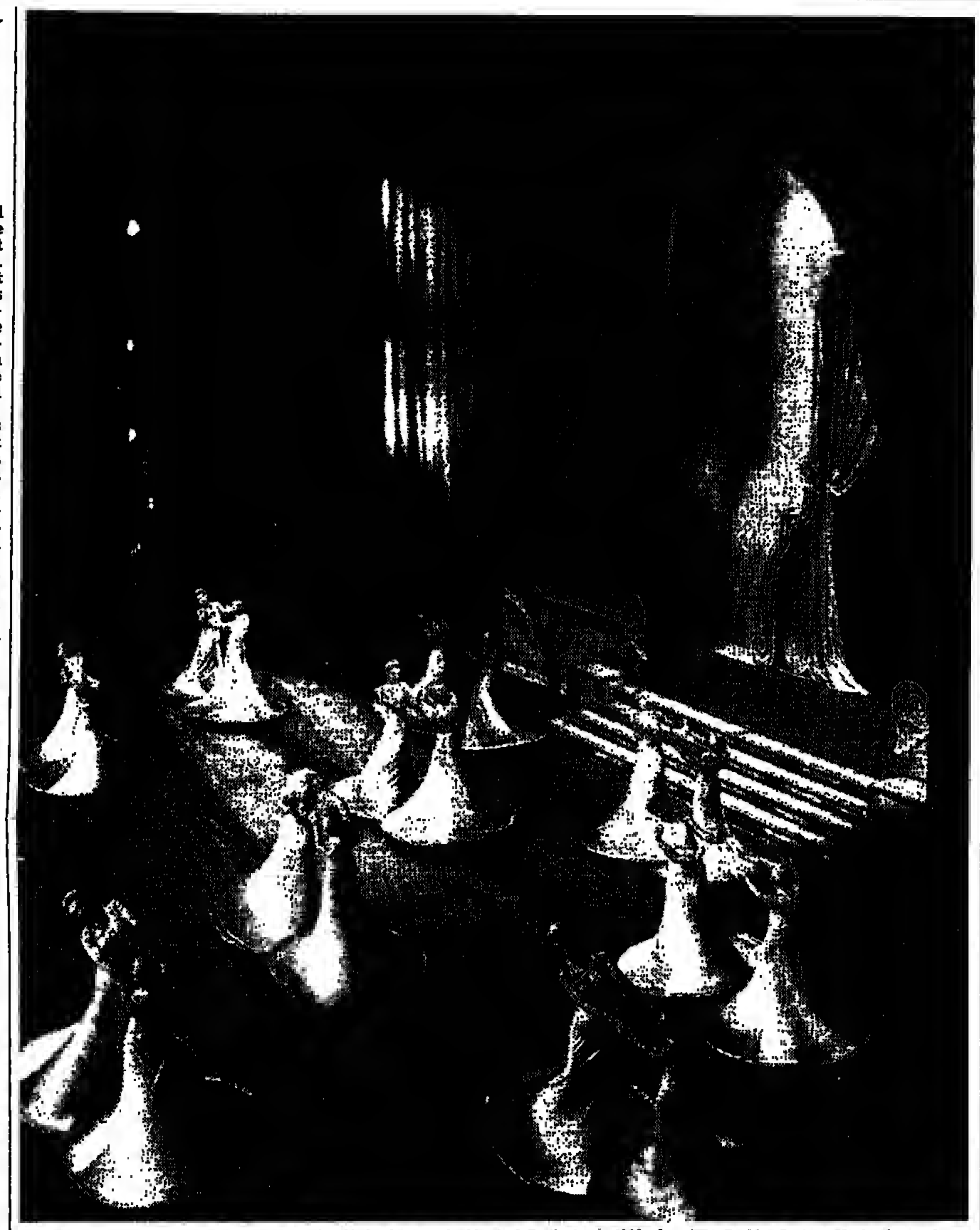
Johnson details the early pratfalls of Bill Clinton's administration but seems to find this president very much in tune with middle America, with ordinary folk who have been chastened by the gung-ho market worship of Ronald Reagan and his business backers and who now yearn for old community values. They talk less about their rights, more about their duties.

A judge in Oakland, California, says of the homeless: "We used to recognise that we have a moral responsibility to these people. Now the idea seems to be, if *I* can make it, *they* can make it." A woman welfare officer in Maine who resigned in protest at cuts says: "I've always seen myself as e public servant, and now I don't have that any more, so I'm not sure what I am. That brings tears to my eyes."

Americans, the rest of us, may derive morbid pleaeure from wallowing in their own problems and no doubt Johnson, in this sequel to his book on the 1980, *Sleepwalking Through History*, found it all too easy to gather the testimooy he wanted. Yet his interviewees' comments are too striking, their message too persistent to be dismissed as mere grumbling.

There is a danger of repetitiveness as well as bias in this form of instantaneous history. But the author's knowledge of the political and economic story, his command of supporting facts and the doggedness of his quest add up to a convincing and by no means uniformly depressing snapshot of the American mood. If these citizens are typical, Americans have learned to express what it is they need, not merely what they want. Perhaps they will now persuade Congress to banisb the lobbyists and let a reforming president get on with the job of providing it.

Christian Tyler



The Silver Hoop Number at the Roxy Theater, New York, photographed by Jack Partington in 1938 - from "The Fugitive Gesture: Masterpieces of Dance Photography", from classical ballet and can-can to the Lindy Hop, by William A. Ewing (Thames and Hudson £16.95 paperback, 240 pages)

Diarist with a dramatist's ear

***J.D.F. Jones** on Alan Bennett, thirty years on*

Alan Bennett must he chuffed to read his publisher's annonncement on tbe jacket of *Writing Home* that he is "one of Britain's best-loved writers". From *Beyond The Fringe* to Netional Treasure in 30 years! The journey from a Leeds butcher's shop to the trendiest intellectuals' street in London surely goes to prove what a splendid, upwardly-mobile country this can be. "*Best-loved*"? Oh dear ...

It helps, of course, if you have a wonderful talent to go with the sort of determination and sheer hard work that you cannot quite hide beneath the timid, cardiganed image. Bennett, now an unbelievable 60, is a great wit and a playwright and a performer and a diarist, working in theatre, television and print with almost equal skill, and he deserves every bit of his celebrity (not to mention Britain's love).

Writing Home is a compendium. It contains a selection from his diaries of the 1980s, repeats of his pieces in the *London Review of Books* (most famously *The Lady in the Van*, his memoir of nutty Miss Shepherd, whom he allowed to park in his garden for 15 years), and odds and sods of journalism, scripts, reviews, plus one-off appearances like his brave speech at the memorial service for his friend Russell Harty.

Because much of *Writing Home* has already appeared in print elsewhere, most ettention is going to be paid to the extracts from the diaries. Bennett has been keeping a regular if not daily journal for 25 years, of course; these pages from 1980 are no more than a careful selection. The extracts are invariably either very quotable or very funny, and often both – they are the sort of thing you are constantly tempted to read out to your companion – but I cannot help feeling that published diaries need to be complete, or at least much fuller than this, to achieve their full impact.

It used to be rumoured in N.W.1 that the Bennett diaries would eventually be published posthumously and in full, in all their embarrassment and delight: Faber might remember that. This is, of course, just one way of my saying that we would like *more* of the same.

Whet we have on display here, not just in the diaries, are, first, a constant and magnificent wit (asked by the BBC for a comment on Pinter's 50th birthday, he thought, too late, of proposing a two-minute silence; Lady Ottoline Morrell is described as "well-to-do and six foot two"; of Philip Larkin, "Schweitzer in the Congo did not derive more credit than Larkin did for living in Hull").

WRITING HOME
by Alan Bennett
Faber £17.50, 417 pages

Second, there is the English class thing, which includes nostalgia, nervousness, a sense of deprivation ("Class isn't what it was; or nowadays perhaps people's embarrassments are differently located"). There goes with this the gift of a particular detailed memory – see his recollection of the childhood experience of a Leeds tram ride. And for Bennett, timidity apparently goes with apprehension, sometimes expressed with alarming candour: "My nightmare when blackberrying (or when I stop the car for a pee) is that I shall find the body of a child, that I will report it, and be suspected of the crime". Behind all this there is an instinctive radicalism. The Gibraltar shootings and the Falklands war figure largely in the diaries: he knows, and explains, how, why, he hates, loves, England.

Always, there is the dramatist's ear for quotation: "I am having supper at the Odeon (New York) when word goes round the tables that John Lennon has been shot. 'This country of ours,' sighs my waiter. 'May I tell you the specials for this evening?'" The dramatist moves, inevitahly if incongruously, among the good and the great – "Supper with the Waltons and Russell Harty. Wm Walton has asked me to write a companion piece for his one-act opera *The Bear* ..." More interesting, on a later occasion, "Liz Taylor perched momentarily on my knee (and pretty uncomfortable it was too)."

Tbe serious point Bennett makes in his Introduction is to describe a tension between what he calls the metropolitan and the provincial modes in his writing; he puts this, rather movingly, in an anecdote of an absurd encounter in a Leeds street between his mother and T.S. Eliot (she is later told by her son of the Nobel Prize – "I'm not surprised. It was a beautiful overcoat".)

He seems to think that he has not yet closed the gap between his provincial (i.e. northern) and his metropolitan voices. I think he is wrong, and that if he never wrote another word, after *Forty Years On, An Englishmon Abroad, A Question of Attribution, Talking Heads, The Madness of George III*, and all the rest, not forgetting his original creation of Mark Boxer's *The Stringalongs*, he would be remembered as one of the very few writers who spoke for our mixed-up generation. He practises compassion as well as wit.

Like this. His mother bad Alzheimer's towards the end; he would visit her in Weston-super-Mare. "There are sheep in the field. 'I know what they are,' she says, 'but I don't know what they are called.' Thus Wittgenstein is routed by my mother". Wonderful.

Leviathan of the 17th century

***A.C. Grayling** hails the writings of Hobbes; philosopher, scientist – and chrysanthemum*

A Chinese saying tells *us that "orchids fear* the Taylor-bird's song, but chrysanthemums survive antumn's frosts"; which means that early developers fade early whereas late developers go from strength to strength. This is an optimistic saying; there is hope for us all yet.

Hobbes was e chrysanthemum. At the age of 46 he fell in love with geometry, and suddenly blossomed into an intellectual giant; despite Parkinson's disease later, and perhaps because he sang to himself every night as a way of keeping fit (he said it cleared his lungs), he lived to the grand age of 92, producing scientific, mathematical and philosophical works which had a profound influence upon the birth of modern times.

These two volumes constitute the first ever collection of Hobbes's known correspondence, and their publication is therefore an important literary and philosophical event. There are letters here between Hobbes and – among many others – Pierre Gassendi, John Aubrey, Marin Mersenne, Gottfried Leibniz, Cosimo de Medici, and King Charles II, whose mathematics tutor Hobbes had been. Almost half have not previously been published. They open a window onto many aspects of the 17th-century world; anyone interested in history, literature, politics, philosophy and the history of science will find them utterly absorbing.

The editor of these handsome volumes is a man whom Hobbes and his correspondents would have recognised as someone of their own stamp: a *fine scholar who nevertheless* engages with the world outside the academy. Noel Malcolm, political correspondent on the Daily Telegraph and sometime Fellow of Gonville and Caius College, Cambridge, has done an outstanding job of translating all the Letin, Greek, French and Italian in the correspondence, providing excellent introductory material and biographical notices of Hobbes's correspondents. A reading of the letters and this elegantly written apparatus amounts to an education in the history of 17th century thought.

Hobbes's most famous work is unquestionably the *Leviathan*, his great treatise of political philosophy. This work, together with the scientific and psychological theories he developed in connection with it, made bim celebrated throughout continental Europe, but a figure of obloquy in his own country – partly because of the virulent anticlericalism of his ideas, which made him seem an atheist, but also because the conclusion of his political theory is an uncomfortable one; namely, *that the best form of government* is absolute rule by a single sovereign power.

THE CORRESPONDENCE OF THOMAS HOBBES: VOLUMES I AND II
edited by Noel Malcolm
Oxford University Press £120, 1008 pages

Hobbes based this theory on his view of human nature, of which he took a deeply pessimistic view. Humans, he said, are greedy, selfish and distrustful, and will prey upon one another unless they are restrained by fear of a coercive power. Civil society comes into existence to give people protection against each other; each individual yields up, by consent, some of his liberty in return for security. But the logical terminus of this, Hobbes argued, is that full security is best achieved if there is a single absolute sovereign exercising power over all. The sovereign power might be a collective hody, like parliament, or a monarch. Hobbes preferred the latter, on the grounds that a monarch will not be weakened by internal divisions, as might happen in a collective body.

By postulating humen nature rather than religion or tradition as the ground of civil society, Hohbes thought be had moved political theory into the realms of science. His ideae provoked strong resistance in many quarters, but his methods proved influential; his reliance on reason and experience helped to free subsequent philosophy from its thraldom to scholasticism and theology.

It is one of the oddities of national temperament thet whereas Hobbes's continental friends – many of whom, like Gassendi, were priests – were tolerant towards his attacks on religion, in England his views were regarded with horror. In 1666, after the plague and Fire of London, people began looking for reasons why God was punishing England, and a flurry of heretic-hunting began. A parliamentary committee considered a bill "against Atheisme Blasphemy or Prophaneness ... And in perticular ... the booke of Mr Hobbes called the Leviathan". Hobbes was saved from this threat, probably hy Charles II, who was fond of him; but his reputation as a maverick remained.

Interest in Hobbes has been steadily reviving in recent years, and Malcolm's magnificent edition of his correspondence will help to spur that process. No-one bas to agree with Hobbes to appreciate his achievement; failure to understand this fact is one of the reasons why England is often so slow to applaud its own.

Fiction/**Geoff Nicholson**

Seeking myth in dirty realist territory

David Mamet's first novel is an assured, impressionistic, unhurried account of a year in the life of a remote, unnamed New England village. It begins with a flurry of interior monologues and colloquial dialogue from unknown and undescribed characters. The conversations are so oblique, and Mamet is so determined not to make life easy for us, that the initial effect is like being at a party where nobody talks to you and nobody bothers to introduce you to tha other guests. This can be irritating, not to say downright infuriating. But eventually the reader finds a point of access, starts to feel at home and to know who's who and what they are talking about.

This is, as it were, an ensemble piece and there is no single protagonist, but gradually we get to know the characters: Dick, wbo owns the local hardware store and is going slowly, tortuously bankrupt; Henry, a newcomer to the village whose head is full of new man, New Age confusion; Maris, e youthful, sexual free spirit who comes to a nasty if inevitably ambiguous end. And there is a full supporting cast that includes wife-beaters, gun enthusiasts, hunters and story-tellers.

The novel is set in an unspecified, though strangely dated and nostalgic present. Characters have phones and pick-up trucks for instance, but if there are computers or televisions or fax machines then nobody talks about them. Nobody goes to the movies or listens to popular music, which is a shame in some ways because these people would learn a lot about themselves from watching, say, *The Last Picture Show* or from listening to almost anything by Bruce Springsteen.

There are times when we appear to be in standard dirty realist territory, but other times Mamet seems to be yearning after something mythic rather than realist. Wa have little sense of an outer world. We do not know who the president is or what stage the cold war is at, but Mamet's point would no doubt be that his characters' lives are little affected by sucb niceties, that they exist in a more elemental region. But Mamet does not quite achiave that mythic dimension, and perhaps that is largely because he wants it so badly. The strain sometimes shows.

THE VILLAGE
by David Mamet
Faber £14.99, 238 pages

Of course, Mamet's dialogue is a wonderfully ornate and artificial approximation of real speech (I was remined of Ivy Compton-Burnett), and tha detailed precision of his prose can eometimes sound like stage directions, but this is not some dilettantish piece by a successful Broadway and Hollywood writer flexing his muscles in a different genre. At a time when so many novels read like raw material for the movies, Mamet has found exactly the right form for what he has to say.

The best parts of the book are a series of virtuoso small scale set-pieces: a man chops wood; the same man gets lost while trying to ski home through the snow; a State Trooper has to tell a father that his son is dead; a hunter stands all day in one spot waiting for the eventual and certain arrival of a deer.

However, mucb as one can delight in tbese scenes, the reader is left surprisingly unengaged by characters and events, a lack of engagement that Mamet himself seems to share. He displays an icy detachment from his creations. He may be God-like but he is distinctly unaffectionate. The end result is a novel that it is easy to respect but very difficult to love.

SPORT / MOTORING

Motoring

Future takes the stand, but will it hit the road?

***Stuart Marshall** looks at all the prototypes, dotty and practical, at the Paris motor show*

What is the star of the *Paris Mondial de l'automobile* that opened this week? Is it an exciting but dotty Renault Espace incorporating a lot of Formula 1 racing car parts and claimed to be the world's fastest four-seater? Or is it Xanae, a concept car described by its builder, Citroën, as "a house on wheels"?

The 186 mph/300 kph Espace F1 has a mid-mounted Renault V10 engine from the 1992 and 1993 World Championship winners, a semi-automatic six-speed gearbox and Williams racing car rear suspension.

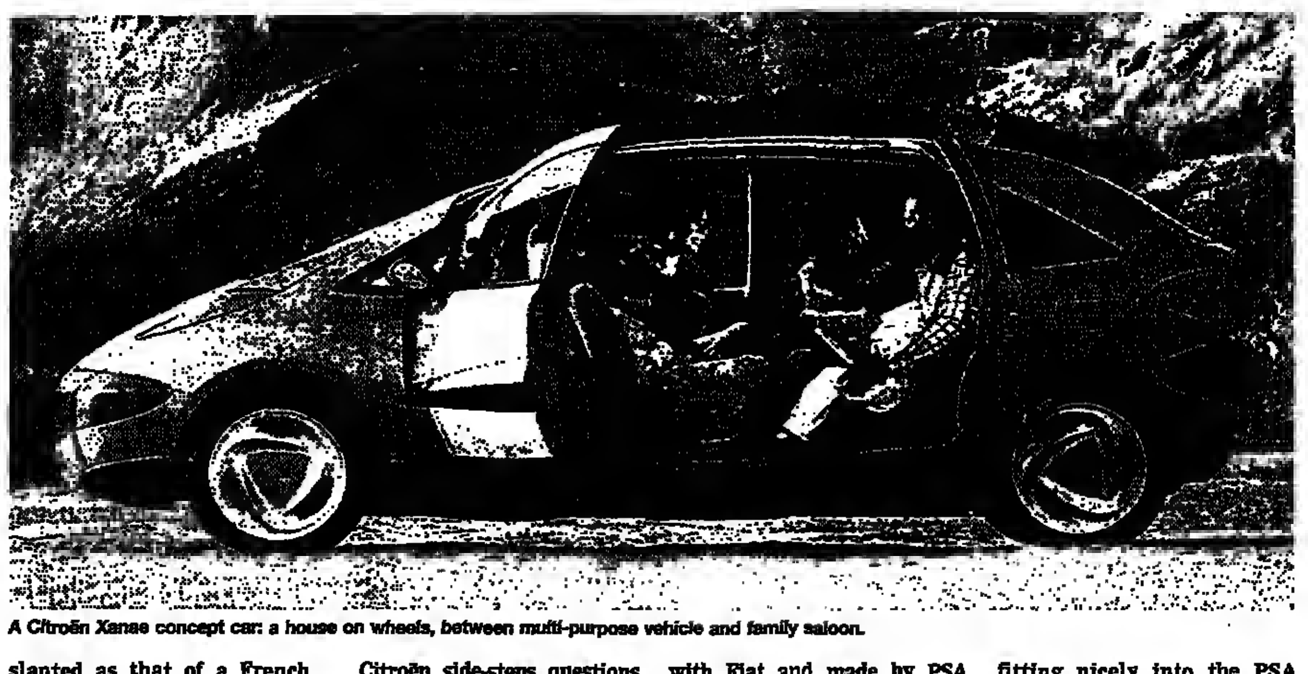
Renault says, tongue in cheek, that this first F1 four-seater offers a "never to be forgotten motoring sensation". I am sure it does on a race track. One hopes no-one is ever tempted to stretch its legs on a public road.

Unlike so many concept cars which burst upon the motor show scene like comets and then disappear just as quickly, Citroën's Xanae (you say Zan-eye-eh) is a practical running prototype. It has the same chassis platform, 2.0-litre, 16-valve petrol engine and automatic transmission as a Citroën Xantia. The suspension incorporates the active roll limitation system that impressed me so much when I tried it a few weeks ago (this column, 24 September).

If the mechanicals are more conventional than state of the art, the body bristles with bright ideas. Although at 423 cm (almost 14 ft) overall the Xanae is shorter than a Xantia and only a little longer than a ZX, up to five people find it spectacularly roomy inside.

The floor is completely flat and the body pillarless. When a front door and rear-hinged back door are opened, nothing obstructs people getting in and out. The minor controls are in a height-adjustable cluster on the steering column.

A windscreen as steeply slanted as that of a French TGV train extends into a transparent roof panel. Xanae would not, as one might suppose, become insufferably hot on a sunny day because the glass is heat reflective and air conditioning is standard.



A Citroën Xanae concept car: a house on wheels, between multi-purpose vehicle and family saloon.

Citroën side-steps questions on whether Xanae will evolve into a production vehicle, saying it was created to test public reaction to new vehicle concepts.

Elsewhere in the show there are four MPVs (multi-purpose vehicles), jointly developed with Fiat and made by PSA (Peugeot-Citroën Group). These MPVs are sold, badged as Citroëns, Fiats, Peugeots and Lancias, as "monobox" alternatives to normal large estate cars.

In three or four years, I could see a car based on Xanae fitting nicely into the PSA product range below these MPVs and above the Citroën Xantia and Peugeot 306.

The only obvious drawback to Xanae is an intimidatingly high sill that would put the roomy but deep boot out of bounds to anyone who has a bad back – or is afraid of getting one.

Ford is also showing a concept car based on an up to seven-seat MPV it has jointly developed with Volkswagen and which goes on sale next Spring.

Zero emission vehicles are due to appear soon in Californian showrooms to satisfy environmental protection legislation. Things have not gone that far in Europe. But even here the battery-electric car is moving from the impractical novelty stage into small-scale production. It will, though, be some time before they are sold in dealerships alongside petrol and diesel cars.

At the Paris show, Peugeot has unveiled Ion, a 3.32 metre (130.7 inch) long, four-seat battery-electric concept it thinks might be the ideal urban runabout of AD 2000. Like the Peugeot 106 and Citroën AX electric cars now being evaluated on a large scale in France, Ion has a nickel-cadmium battery pack giving it a range of up to 150 km (93 miles). Peugeot says Ion is only an exploratory project, but concedes that some of its interior and exterior styling ideas will be incorporated in a future town car. Britons may get a chance of seeing Ion at our own International Motor Show in Birmingham later this month.

Among cars being unveiled to the public at Paris are a stunning Alfa Romeo GTV Spider (successor to the car immortalised by Dustin Hoffman in *The Graduate*) and the new Jaguar XJ saloons and their high-off-the-ground, four-wheel driven counterparts, the luxurious new Range Rovers. Aston Martin has the first of its ravishing DB7s due to be delivered to a French buyer as the centerpiece of its stand.

Nissan and Honda are making a splash with their new QX 2.0-litre and 3.0-litre V6-engined executive saloons and Civic five-door hatchbacks respectively. Ford's odd looking Scorpio replacement is there, as are two desirable Porsches – a new 911 Carrera 4 with all-wheel drive and a rear-wheel drive 911 with gear selection for its Tiptronic transmission by thumb button on the steering wheel.

Mondial de l'Automobile at the Porte de Versailles exhibition complex is open until 16 October.

Cricket

In a giant's footsteps

***Simon Hughes** treads carefully as he follows Ian Botham down the road*

What, people ask, is Ian Botham up to these days? Here is a quick resumé. He is trudging around the west coast of Britain for a month raising funds for leukaemia research. He will let the blisters calm down for a week, then he is off to Australia and New Zealand to promote his book, *My Autobiography*, before appearing alongside Rolf Harris in pantomime at Wimbledon. He will play one of Baron Hardup's men in *Cinderella*. Then he will change into his favourite jeans and T-shirt for a speaking tour of various countries with Allan Lamb. Then it will be summer again. "Basically there's not a spare day in the diary until about June," he said.

But then Botham would not be Botham without activity (his name has even been used as an eponym - viz "I was so angry I went totally Botham") and he needs people around him; on the cricket field, by the river bank, on the B-roads of north Wales where I joined him last week. Even in the middle of the night he likes company.

Once, when we were both playing for Durham we were staying in a Nottingham hotel. I was asleep in a single room - a luxury on county cricket's relentless circuit. At 2am the phone went.

"Hi Yozzer, it's Beefy. Fancy some Burgundy in my room?"

"But it's the middle of the night," I complained.

"I'm in the next room," he replied. "If you don't turn up I'll kick your door in."

So I did as I was told, and sat bleary-eyed, sipping and nodding for an hour or so while he held court and demolished two bottles.

It has been said that Botham is either your best friend or your worst enemy, and that really is the gist of it. There are no grey areas – things are either black or white. Be loyal to him and he will be loyal to you, but tread on his toes and he will stamp on your head.

I was very careful of his feet last Wednesday. They are doing nearly 5 mph for 22 days as he wends his way round the British coast from Liverpool to Somersetand one frightening sore – about the size of a bath plug – had formed on his right heel. This is hardly surprising considering the speed he walks and the number of paces a day - about 36,000 by my calculation. (Two years ago Gary Lineker walked with him but could not keep up, footballers are, of course, only used to 90 minutes exercise at a time.)

During the course of this, his seventh trek round the towns and villages of his homeland, Botham completed 3,000 miles and passed the £3m figure for sums raised on behalf of leukaemia research. Why does he do it? Heroism, insanity and compassion might be a reasonable summation.

He loves the adulation from the public – the blue-rinsed old ladies, the housewives in bare feet, the classes of schoolchildren cheering at the side of the road – and they love to idolise him even if they fail to identify him. "Which one is he?" cried a woman in the doorway of a hairdresser's as the caravan of tracksuited figures marched past.

Botham's support cast of dedicated volunteers ensures the success of the campaign. Two friends set up a stall to sell merchandise ahead of the party, while Gerry, his father-in-law, announces that "the greatest sportsman in the world will be passing in five minutes" over a loudspeaker.

As Botham passes women wail: 'Oooh, I'll give a fiver for a kiss'

Mike Gatting is accompanying Botham for two weeks and takes on the task of directing the traffic that builds up behind the entourage. At dinner that evening, he is fined 50p for impersonating a policeman.

Other helpers dish out food at regular intervals (there is no stopping even to sign autographs until the day's destination is reached). People with buckets rush about collecting loose change from pedestrians and motorists and a mobile bank follows behind to stash away the takings of about £9,000 a day.

Botham's wife, Kath, beavers away ensuring everything runs smoothly. She is the only person who really knows him; his one true, totally forgiving friend.

Over-zealous women almost swoon as he passes, others rush up wailing "Oooh, I'll give a fiver for a kiss." Journalists who privately ridicule him dare not do so in print. If you make fun of his portly appearance or poor timekeeping, he returns it with interest. Any mockery is repelled with the usual "well, how many test wickets did you take then?" He enjoys the banter and he rarely comes second.

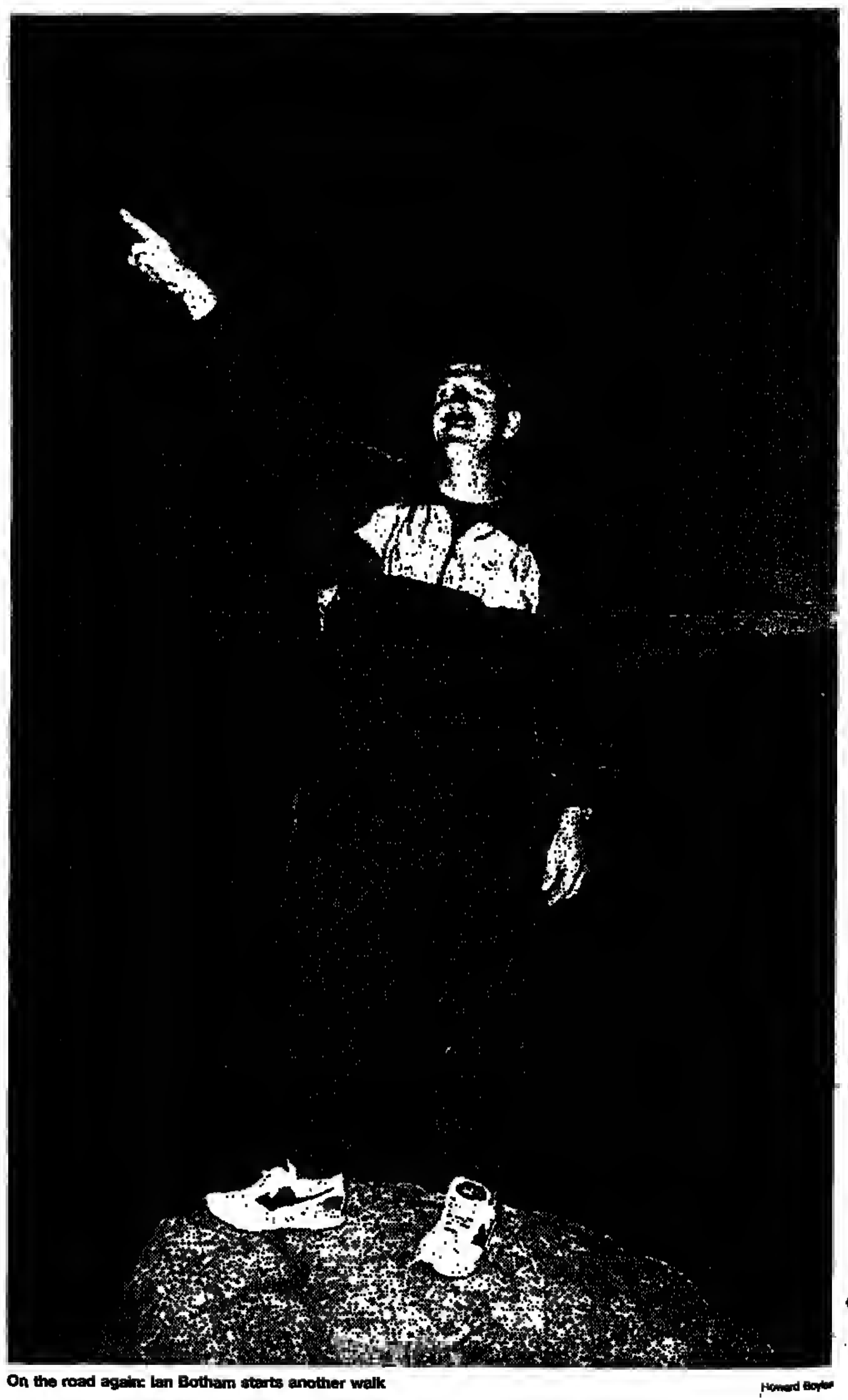
Underneath the incredible hulk, with calves the width of sewage pipes, there is genuine humility. On the walk he looks after ailing colleagues and makes good-natured sounds and motions whenever someone drops money in the bucket, no matter how much.

His autobiography, a best-seller, contains laborious accounts of test series with precious little insight – it is a feature of great sportsmen that they have poor recall of momentous achievements. But among the chaff there are touching, emotional passages about his family and friends, and the remorse he feels for everything he has thrown at his wife, mentally and physically. How has their marriage withstood those 20 years of trial and torment?

"The answer is: it's all down to Kath," he admits.

The public support he receives on his travels underlines the fact that he is truly a people's hero. To them, his mistakes, his relatively humble background, his occasionally misdirected impulses make him seem more human, and therefore more likeable than a Nick Faldo or a Nigel Mansell.

Some elements of the press seem him in a different light, and write things that sometimes turn him purple with rage. At such times he would be wise to remember the words of Dr Johnson: "A fly sir, may sting a stately horse and make him wince. But one is but an insect, the other a horse still."



On the road again: Ian Botham starts another walk

Howard Boyle

Golf

Return of the missing links

***Derek Lawrenson** visits two great courses which fell on hard times*

Temporary greens and Astroturf are the sorts of things that municipal golfers reluctantly accept as being part of the territory. The last place one would expect to find either inconvenience would be at two of the UK's great links courses. Yet the former has been part of life at Royal Birkdale for the last three years, while members of Carnoustie have become acquainted with the latter.

Both clubs have had to take such measures to overcome a loss of prestige. At Birkdale, near Southport, in Cheshire, a problem with the greens came to a head at the 1991 Open when millions of viewers watched the world's top golfers putting on surfaces the colour of Ryvita. Several players thought they were about as smooth as Ryvita too.

"If you want consistent greens you'll have to dig them up and start again," Payne Stewart said.

At Carnoustie, some 30 miles north of St Andrews, on a harsh and exposed piece of land hard against the North Sea, the course, under the stewardship of the local district council, had fallen into a sad state of neglect. It used to be said that St Andrews, on the edge of the old university town, had the setting and Carnoustie, bordered by a whiskey distillery and a large council building, the golf course, but the great links at Carnoustie came to match their run-down location.

Things have improved at both courses. Birkdale took Stewart's advice, which is why the members have been putting on temporary greens for three years.

At Carnoustie, the council head-hunted the St Andrews greenkeeper, John Philp, and gave him money to spend and a free hand to improve matters. The result is that Carnoustie will host next year's Scottish Open and the Open, for the first time in 24 years, in 1999. The course is in such good condition that it puts a certain place down the road, the venue for this week's Dunhill Cup, to shame.

The members have even grown used to carrying a piece of Astroturf round with them from November to March. To protect the fairways, they place their ball on the artificial turf.

"There is just no growth up here in the winter," Earle Smith, the secretary, said. "A lot of members were unhappy at first but when they saw how good the fairways looked in March they did not mind so much."

Indeed the powers at St Andrews were sufficiently impressed to adopt a similar policy this winter on the Old Course, where the fairways are in a poor state.

The Open returns to Birkdale in 1998, when the players will find putting surfaces quite different to those they experienced in 1991.

"The problem was caused by the residue of incorrect top dressing materials used over a period of time," said secretary Norman Crewe. This had caused a black layer to form under the surface which choked off the roots and prevented any consistent growth.

The club consulted many experts. Arnold Palmer, the club's honorary president, even sent over his senior agronomist.

The cure involved peeling back the putting surface and digging out the black layer. With the greens out of action anyway, the club took the opportunity to change their character as well.

Said Crewe: "Some of them were really nothing more than tough pieces of land at the end of the fairways. So now we've added some contours to some of the flatter ones to make it more aesthetically pleasing and obviously harder on which to hole putts."

The difference is instantly obvious on greens such as the par-three seventh, which used to be shaped like a saucer, so a player could invariably get away with a poorly struck shot. Now the green is more like an upturned saucer and so sheds such a stroke rather than gathering it in.

The work on all 18 greens, at a cost of £270,000, was completed last winter and after one growing season they are still not perfect. "We're quietly confident we've got it right," Crewe said.

"All the work practically cleaned us out. Now we have to build up the reserves again," Crewe said. There is little question the visitors who stayed away while the root construction work was being carried out will return. Green fees may be £50 but there are not many better places to play golf.

The same, of course, can be said of Carnoustie, although it would be nice if one of the many grand plans to so something about the setting finally came to fruition. Will someone not rid us of the abominable council building that stands where a clubhouse normally does and serves little purpose?

Unlike Birkdale, the club had no need of large-scale alterations. If necessary Carnoustie can be stretched to 7,400 yards, although on a cold, bleak October day last week, it was more than daunting at 500 yards short of that.

At the turn of the last century the great players that a great links so often produces left Carnoustie and headed west for America and played a part in the development of the game there. Two brothers, Willie and Alex Smith, won the US Open while Stewart Maiden taught the game to Bobby Jones, who many believed to be the greatest of all players.

As we approach the end of this century, it is the turn of the great players to come back to Carnoustie. What a treat lies in store for those who, because of its years of enforced absence, have not have seen the course.

TELEVISION

SATURDAY

BBC1

7.00 Lassie. 7.25 News. 7.30 Pingu. 7.35 Happy Birthday. 7.45 Marlene Marlowe Investigates. 8.05 Albert the Fifth Musketeer. 8.30 The New Adventures of Superman. 9.15 Live and Kicking.

12.12 Weather.
12.15 Grandstand. Introduced by Steve Rider. Including at 12.20 Football Focus: Preview of next week's internationals. 1.00 News. 1.05 Football Focus. 1.20 Cycling: The World Mountain Bike Championships from Vail, Colorado. 1.35 Racing from Ascot: The 1.40 Anglo African Holdings Autumn Stakes. 1.50 Cycling. 2.05 Racing: The 2.10 Princess Royal Stakes. 2.20 Motor Racing: Behind-the-scenes look at Formula One. 2.30 Rugby League. 2.35 Racing: The 2.40 Bovis Handicap Stakes. 2.50 Rugby League: Wigan v Australia. Live coverage from Central Park. 3.45 Football Half-Times. 3.55 Rugby League. 4.40 Final Score. Times may vary.
5.15 News.
5.25 Regional News and Sport.
5.30 Steve Wright's People Show.
6.15 Bruce Forsyth's Generation Game. Bruce Forsyth and Rosemarie Ford host another edition of the fun-filled family game show.
7.10 Challenge Anneka. Action-woman Anneka is given the daunting task of launching Britain's newest TV channel, Youth Cable Television.
8.00 Casualty. Two homeless teenage girls end up in hospital after being drawn into the seedy world of prostitution, and a young executive's sudden collapse reveals a dark hidden secret. Mike Barratt causes resentment by refusing to confide in Ash. Starring Clive Mantle, Patrick Robinson, Ian Bleasdale and Jane Gurnett.
8.50 News and Sport; Weather.
9.10 Film: Weekend at Bernie's. Two aspiring accountants are invited to their playboy boss's beach house – only to discover he has been murdered. Slapstick comedy, with Andrew McCarthy (1989).
10.45 Match of the Day. Desmond Lynam introduces highlights of two top matches in the FA Premiership, plus goals from the day's other games.
11.45 The Danny Baker Show.
12.30 Film: Fever Pitch. An investigative journalist tries to expose illegal gambling in Las Vegas – but soon falls under the spell of the world he has entered. Drama, with Ryan O'Neal (1985).
2.05 Weather.
2.15 Close.

BBC2

8.05 Open University. 10.00 Chanakya.(English subtitles). 10.40 Network East. 11.10 Style Today. 11.50 Film 94 with Barry Norman. 12.20 pm Film: The Racket.

1.45 The Phil Silvers Show.
2.15 Timewatch. Investigation into capital punishment in Britain, including the memories of hangmen once employed to assist in the execution of convicted criminals.
3.00 Film: They Were Expendable. The commander of a torpedo-boat squadron resolves to play a more active role in the second world war. Drama, starring John Wayne and Robert Montgomery (1945).
5.15 Late Again. Highlights from last week's Late Show features.
5.55 TOTP2.
6.35 What the Papers Say. Jane Thynne reviews the week's news stories.
6.50 News and Sport; Weather.
7.05 The Health Business: A Public Eye Special. Report on the future of the NHS in the light of recent radical changes in the way hospitals are run.
8.05 The Director's Place. Controversial film-maker Dusan Makavejev's experimental fusion of drama, documentary, sex and politics in such productions as *WR: Mysteries of the Organism*, *Sweet Movie* and *Montenegro*, resulted in his exile from his native Yugoslavia in 1973. In this humorous profile, he is given a new image in San Francisco and meets his agent by a Los Angeles pool.
9.00 Knowing Me, Knowing You – With Alan Partridge.
9.30 Elizabeth R. Fourth part of the award-winning drama chronicling the reign of Elizabeth I. Mary Queen of Scots is imprisoned at Chartley, while Elizabeth ponders her fate. Starring Glenda Jackson, Vivian Pickles, David Collings and Stephen Murray.
11.00 The Moral Maze. A selected panel debates topical dilemmas.
11.45 Film: Pursued. Psychological Western, starring Robert Mitchum as a revenge-seeking cowboy who inadvertently causes a tragedy in his adopted family (1947).
1.25 Fast Forward.
1.55 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.00 The ITV Chart Show. 12.30 pm Disney's The Lion King Film Premiere.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.15 Movies, Games and Videos. Reviews of Tom Hanks' box-office success *Forrest Gump*, and action movie spoof *Hot Shots: Part Deux*, starring Charlie Sheen.
1.40 WCW Worldwide Wrestling.
2.30 Saint's Soccer Skills. New series. Ian St John presents soccer tips for youngsters.
2.50 Life Goes On.
3.50 Burke's Law.
4.45 ITN News and Results; Weather.
5.05 London Today and Sport; Weather.
5.20 David Hasselhoff's Baywatch. The star chooses and introduces a compilation of his favourite moments from past episodes.
6.10 Gladiators.
7.15 Blind Date. Cilla Black plays Cupid to another group of hopefuls vying to be whisked off on a romantic trip.
8.15 Family Fortunes. The Myers family from Kent and the Rathmills of Cheshire compete for the £3,000 jackpot and a new car.
8.40 ITN News; Weather.
8.55 London Weather.
9.00 Film: Lethal Weapon. Mel Gibson stars as an unbalanced Vietnam veteran-turned-cop who teams up with a new partner (Danny Glover) to smash a vicious drugs cartel. Thriller, with Gary Busey (1987).
11.00 Film: Dreams of Gold: The Mel Fisher Story. Fact-based drama about a treasure-hunter's 17-year search for the wreck of a Spanish galleon. Cliff Robertson stars (TVM 1986).
12.35 Love and War.
1.05 Tour of Duty.
2.00 Get Stuffed; ITN News Headlines.
2.05 The Big E.
3.00 European Nine-Ball Pool Masters.
4.00 Get Stuffed; ITN News Headlines.
4.05 The Magic Wok.
4.30 BPM.

CHANNEL4

6.00 4-Tel on View. 6.30 Early Morning. 9.45 Blitz. 11.00 Gazzetta Football Italia. 12.00 Sign On: Deaf World. 12.30 pm The Great Maratha.(English subtitles).

1.00 Film: It's All Happening. A talent scout helps save an orphanage – and becomes a star in the process. Musical comedy, starring Tommy Steele and Angela Douglas (1963).
2.50 Alf, Bill and Fred. Animated moral fable about friendship.
3.00 Racing from York. Coverage of the 3.15 Crowther Homes Handicap, 3.45 Rockingham Stakes, 4.15 Coral Sprint Trophy Handicap, and the 4.45 Kirkham Handicap Stakes.
5.05 Brookside.; News Summary.
6.30 Right to Reply. Viewers' comments on recent TV programmes.
7.00 The People's Parliament. Debate on the controversial issue of Irish unification, including interviews with Sinn Fein member Martin McGuinness. Last in series.
8.00 For Love or Money. New series. Nicholas Ward-Jackson discovers the obsessions of celebrity collectors. In the opening programme, Anna Chancellor searches for a Fortuny dress in Venice, Sir David Attenborough reveals his passion for Victorian bird painter John Gould, and Bill Cotton discusses the appeal of Windsor chairs.
9.00 Brides of Christ. Drama set in the turbulent 1960s, about two young women who become nuns in a Sydney convent and soon find themselves at loggerheads with their conservative-minded superior. Starring Josephine Byrnes, Lisa Hensley and Brenda Fricker.
10.05 Rory Bremner: Who Else? New series. Satirical sketches and impersonations with the BAFTA-winning funnyman.
10.45 Film: Raise the Red Lantern. A university-educated girl is sent to a feudal nobleman's home to become his newest wife. Moving, beautiful, grim Chinese drama set in the 1920s, starring Gong Li (1991).
1.00 Late Licence.
1.15 Herman's Head.
1.40 Let the Blood Run Free.
2.10 Wax on Wheels.
2.55 This is David Harper.
3.25 Packing Them In.
4.15 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:–

ANGLIA:
12.30 Movies, Games and Videos. 1.05 Anglia News. 1.10 Nigel Mansell's IndyCar '94. 1.40 The Hindenburg. (1975) 3.45 Knight Rider. 5.00 Anglia News and Sport 8.55 Anglia Weather. 11.00 Maria's Lovers. (1984)

CENTRAL:
12.30 America's Top 15. 1.05 Central News. 1.10 The Munsters Today. 1.40 Movies, Games and Videos. 2.10 Daffy Duck. 2.15 The Fall Guy. 3.10 SeaQuest DSV. 4.00 WCW Worldwide Wrestling. 5.05 Central News 5.10 The Central Match – Goals Extra. 8.55 Local Weather. 11.00 Disney's The Lion King Film Premiere. 11.35 Psycho IV: The Beginning. (1990)

GRAMPIAN:
12.30 Sport. 1.05 Grampian Headlines 1.10 Telefios. 1.40 Eileanan Iomallach. 2.10 Donnie Murdo. 2.35 Rocksport. 2.55 Disney's The Lion King Film Premiere. 3.25 Nigel Mansell's IndyCar '94. 3.55 Superstars of Wrestling. 5.05 Grampian Headlines 5.10 Grampian News Review. 8.55 Grampian Weather. 11.00 Maria's Lovers. (1984)

GRANADA:
12.30 Movies, Games and Videos. 1.05 Granada News 1.10 Tip Top TV. 1.40 Disney's The Lion King Film Premiere. 2.10 Nigel Mansell's IndyCar '94. 2.45 Rocksport. 3.05 The A-Team. 4.00 Superstars of Wrestling. 5.00 Granada News 5.05 Granada Goals Extra. 5.25 Cartoon Time. 5.35 Ryan Giggs' Soccer Skills. 11.00 Maria's Lovers. (1984)

HTV:
12.30 The Munsters Today. 1.05 HTV News. 1.10 Nigel Mansell's IndyCar '94. 1.40 1992 Underwater Hockey World Championships. 2.10 Cartoon Time. 2.20 Movies, Games and Videos. 2.50 The A-Team. 3.45 Knight Rider. 5.05 HTV News and Sport 8.55 HTV Weather. 11.00 Maria's Lovers. (1984)

MERIDIAN:
11.30 COPS. 12.00 The ITV Chart Show. 1.05 Meridian News. 1.10 Best of British Motor Sport. 1.40 The Prince of Bel Air. (TVM 1986) 3.25 Cartoon Time. 3.45 Knight Rider. 5.05 Meridian News. 11.05 Crime Story.

SCOTTISH:
12.30 Extra Time. 1.00 Scotland Today. 1.10 Faith, Hope and Calamity. 1.40 Telefios. 2.10 The Man From Button Willow. (1965) 3.40 Sons and Daughters. 4.10 Take Your Pick. 4.40 Cartoon Time. 5.05 Scotland Today 8.55 Scottish Weather. 11.05 Whoops Apocalypse. (1986)

TYNE TEES:
12.30 Movies, Games and Videos. 1.05 Tyne Tees News. 1.10 The Fall Guy. 2.10 Carry On Teacher. (1959) 3.45 Knight Rider. 5.05 Tyne Tees Saturday 11.00 Texasville. (1990)

WESTCOUNTRY:
12.30 Movies, Games and Videos. 1.05 Westcountry News. 1.10 Nigel Mansell's IndyCar '94. 1.40 The Big Land. (1957) 3.30 Cartoon Time. 3.45 Dinosaurs. 4.10 The Mountain Bike Show. 5.05 Westcountry News 8.55 Westcountry Weather. 11.00 Maria's Lovers. (1984)

YORKSHIRE:
12.30 Movies, Games and Videos. 1.05 Calendar News. 1.10 The Fall Guy. 2.10 Carry On Teacher. (1959) 3.45 Knight Rider. 5.05 Calendar News. 5.10 Scoreline. 11.05 Texasville. (1990)

SUNDAY

BBC1

7.25 The Man from U.N.C.L.E. 8.10 Breakfast with Frost. 9.15 Decisions. 9.30 This is the Day. 10.00 See Hear! 10.30 The French Experience. 10.45 Easy Money. 11.00 The Eleventh Hour.

12.00 CountryFile.
12.25 Weather for the Week Ahead; News.
12.30 On the Record.
1.30 EastEnders.
2.50 Tom and Jerry.
3.20 Biteback.
4.00 Junior Masterchef. Danny Baker and Derina Allen judge the culinary creations of contestants from Southampton, East Sussex and Hampshire.
4.30 The Great Antiques Hunt. Enthusiastic amateurs visit Glasgow, where they evaluate Scottish silver, and explore a house designed by Charles Rennie Mackintosh. Last in series.
5.15 Lifeline.
5.25 The Clothes Show. The 1994 British Fashion Awards, a star-studded celebration of knitwear, accessories, glamour, and high-street designs.
6.05 News.
6.25 Songs of Praise. More than 40,000 people congregate at Manchester United's football ground, Old Trafford, to hear music by the Band of Her Majesty's Royal Marines, Portsmouth.
7.00 Children in Need: The Countdown Begins. New series. Terry Wogan, Sue Cook and Andi Peters reveal the final total for 1993, and preview the events planned for this year's appeal.
7.10 Lovejoy. Charlotte is kidnapped by a recently released Broadmoor patient harbouring a grudge against Lovejoy. Light-hearted drama, starring Ian McShane.
8.00 Birds of a Feather.
8.30 Seaforth. New series. Epic love story set in the 1940s, following the rags-to-riches rise of a handsome Yorkshire rogue, and his relationship with a beautiful wealthy girl. Linus Roache stars.
10.05 News and Weather.
10.20 Heart of the Matter. Report on the current boom in surrogacy, revealing the increasing number of mothers deciding to keep their babies.
10.55 International Dancing.
11.35 Ring of Scorpio. First of a two-part drama about three Australian women whose terrifying past returns to haunt them. Caroline Goodall, Catherine Oxenberg and Linda Cropper star.
1.15 Weather.
1.20 Close.

BBC2

7.30 Blinky Bill. 7.55 Playdays. 8.15 Blood and Honey. 8.30 Moomins. 8.55 The Busy World of Richard Scarry. 9.20 Bitsa. 9.35 Conan the Adventurer. 10.00 What's That Noise? 10.25 Grange Hill. 10.55 Growing Up Wild. 11.20 Bay City. 11.45 The O Zone. 12.00 Quantum Leap. 12.45 pm Snowy River: The McGregor Saga.

1.30 Amazon: The Flooded Forest. Part two. The waters begin to recede after six months of flooding, allowing a variety of creatures to take up residence on the forest floor.
2.20 Special Friends. The close friendship between two Down's syndrome sufferers.
3.00 Happy Birthday, LSO! Gala celebration of the London Symphony Orchestra's 90th anniversary, conducted by Michael Tilson Thomas, Sir Colin Davis and Mstislav Rostropovich. Simultaneous broadcast with Radio 3.
5.15 Rugby Special. Highlights of Northampton v Harlequins, plus news of other club matches around the country.
6.15 One Man and His Dog. English handlers Derek Scrimgeour, James Gill and Dennis Hudson compete in the third heat from Buttermere in the Lake District.
7.00 The Money Programme. Reporter Nils Blythe meets independent gas suppliers who claim they can cut household bills if allowed to compete with British Gas.
7.40 The Car's the Star. An affectionate portrait of the Austin Allegro, produced by British Leyland in the strike-ridden 1970s.
8.00 Placido Domingo's Tales from the Opera. The tenor's performance in the spectacular Carlos Gomes 19th century masterpiece Il Guarany, an epic story of love and heroism set in Brazil. Last in series.
9.00 Monty Python's Flying Circus. More vintage surreal sketches with the gang.
9.30 Reputations. Profile of Lavrenti Beria, Stalin's chief of secret police, who murdered and manipulated his way to power, eventually becoming head of the USSR's atomic weapons programme. Featuring testimony from Beria's colleagues and victims, who talk for the first time on TV about the rise and fall of this feared figure.
10.20 Film: Mississippi Burning. Drama about racism in America's Deep South, starring Gene Hackman and Willem Dafoe as FBI agents out to solve the murders of three civil rights workers (1988).
12.30 Close.

LWT

9.00 GMTV. 8.00 The Disney Club. 10.15 Link. 10.30 Sunday Matters. 11.00 Morning Worship. 12.00 Sunday Matters. 12.30 pm Crosstalk; London Weather.

1.00 ITN News; Weather.
1.10 Walden. Brian Walden interviews Secretary of State for Wales John Redwood.
2.00 COPS.
2.25 Saint's Soccer Skills. Ian St John and celebrity guests present soccer tips for youngsters.
2.40 The Sunday Match. New series. Stoke City v Luton Town. Jim Rosenthal introduces live First Division coverage from the Victoria Ground. Commentary by John Helm and Dave Bassett. Plus, a review of yesterday's other matches with Gabriel Clarke.
5.00 Father Dowling Investigates. The religious sleuth is accused of theft and murder when his evil twin brother tries to lure lonely spinsters into a phoney investment scheme.
6.00 London Tonight; Weather.
5.20 ITN News; Weather.
6.30 Dr Quinn: Medicine Woman. Dr Mike and Sully feel responsible when a typhus epidemic spreads at the Cheyenne camp. Jane Seymour and Joe Lando star.
7.30 Heartbeat. Police drama, starring Nick Berry.
8.30 You've Been Framed!
9.00 London's Burning. The crew tackles a blaze at a city farm, Sicknote befriends a stray dog and Kevin and Sally get physical. Ross Boatman stars.
10.00 Hale and Pace.
10.30 ITN News; Weather.
10.40 London Weather.
10.45 The South Bank Show. Vanessa Redgrave discusses her role as a transsexual in new film Second Serve, and demonstrates her talent in workshop sequences, including one alongside her late father, Sir Michael Redgrave.
11.45 You're Booked! Review of *Closing Time*, Joseph Heller's follow-up to Catch-22. Plus, interviews with Dame Barbara Cartland and Raymond Briggs.
12.15 Cue the Music.
1.15 Married - With Children.
1.45 Get Stuffed; ITN News Headlines.
1.50 Film: The Lives of Jenny Dolan. Crime thriller, starring Shirley Jones (TVM 1975).
3.35 Get Stuffed; ITN News Headlines.
3.40 Film: Murder at the Mardi Gras. Thriller, starring Didi Conn (TVM 1978).
5.25 Get Stuffed.

CHANNEL4

6.00 Blitz. 7.10 Early Morning. 9.45 The Odyssey. 10.15 Saved by the Bell. 10.45 Rawhide. 11.45 Little House on the Prairie.

12.45 Film: I'll See You in My Dreams. Musical biography chronicling the life and times of songwriter Gus Kahn. Starring Doris Day and Danny Thomas (1951).
2.45 Film: Do Not Disturb. An American executive relocates to London with his wife, who soon sends him wild with jealousy by flirting with a French antiques dealer. Romantic farce, with Doris Day (1965).
4.40 Theobalds.
4.45 Belfast Lessons.
5.15 News Summary.
5.15 Film: Babylon 5. Feature-length pilot of the Emmy-winning SF drama about a five-mile-long space station and its human and alien crew. Michael O'Hare stars (TVM 1993).
7.00 Equinox. Assessment of new evidence casting doubt on American astronomer Edwin Powell Hubble's famous formula for calculating the age of the universe, and calling into question the most fundamental of all scientific orthodoxies – the big bang theory.
8.00 Beyond the Clouds. Another chance to see Phil Agland's series of documentaries focusing on the lives of four families in the small Chinese city of Lijiang. (English subtitles).
9.15 Film: White Hunter, Black Heart. Premiere. Clint Eastwood directs and stars in this adaptation of Peter Viertel's 1953 novel about the making of John Huston's movie The African Queen. With Jeff Fahey (1990).
11.20 Hanratty: The Mystery of Deadman's Hill. New evidence casting doubt on the notorious case of James Hanratty, who was hanged on April 4, 1962 for the A6 murder in which a man died and a woman was raped and shot – an ordeal she miraculously survived. The programme includes statements and details unavailable at the time of the trial, suggesting both the verdict and a subsequent inquiry were grave miscarriages of justice.
12.35 Film: Sankofa. Haile Gerima's drama about an African model transported back in time to the American slave plantations. Oyafunmike Ogunlano stars (1993).
2.55 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:–

ANGLIA:
12.30 Bodyworks. 12.55 Anglia News. 2.00 Father Dowling Investigates. 2.50 Kick Off! 5.35 Heirloom. 6.05 Anglia News On Sunday 10.00 Hale and Pace. 10.40 Anglia Weather. 11.45 Street Legal.

BORDER:
12.30 Gardener's Diary. 12.55 Border News. 2.00 Scotsport. 3.15 Hot Wheels. 3.45 Carry On Constable. (1959) 5.20 Coronation Street. 6.10 Border News. 11.45 Prisoner: Cell Block H.

CENTRAL:
12.30 Central Newsweek. 12.55 Central News 2.00 Gardening Time. 2.30 The Central Match – Live. 4.55 Hit the Town. 5.25 Father Dowling Investigates. 6.10 Central News 10.40 Local Weather. 11.45 Prisoner: Cell Block H.

GRAMPIAN:
11.00 Sunday Service. 11.45 Eikon. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 Scotsport. 3.15 The Mountain Bike Show. 3.45 Highway to Heaven. 4.45 Pick a Number. 5.15 Movies, Games and Videos. 5.45 The Business Game. 5.15 Grampian Headlines 10.40 Grampian Weather. 11.45 Prisoner: Cell Block H.

GRANADA:
12.25 Close to the Edge. 12.55 Granada News 2.00 Hot Wheels. 2.30 Sayonara. (1957) 5.10 Cartoon. 5.20 Dr Quinn: Medicine Woman. 6.15 Granada News 6.30 Coronation Street. 11.45 Prisoner: Cell Block H.

HTV:
12.25 The Littlest Hobo. 12.55 HTV News. 2.00 Limited Edition. 2.30 Midweek. 3.00 The West Match. 3.30 Cactus Jack. (1979) 5.10 Cartoon Time. 5.15 Country Watch. 5.45 Up Front! 6.15 HTV News. 10.40 HTV Weather. 11.45 Prisoner: Cell Block H.

MERIDIAN:
12.30 Seven Days. 12.50 Meridian News. 2.00 The Pier. 2.25 The Listings. 2.30 The Meridian Match. 3.15 The Great British Train Robbery. (1967) 6.15 Disney's The Lion King Film Premiere. 5.45 The Village. 6.10 Meridian News. 11.45 The Pier.

SCOTTISH:
11.00 Sunday Service. 11.45 Eikon. 12.30 Scotland Today. 12.35 Skoosh. 2.00 Scotsport. 3.15 The Assisi Underground. (1985) 5.20 Knight Rider. 5.15 Scotland Today 10.40 Scottish Weather. 10.45 Don't Look Down. 11.00 The South Bank Show.

TYNE TEES:
12.25 Conference File. 12.55 Tyne Tees News. 2.00 Highway to Heaven. 2.55 Journey to the Centre of the Earth. (1959) 4.50 Disney's The Lion King Film Premiere. 5.20 Animal Country. 5.50 Tyne Tees Weekend. 11.45 The Powers That Be.

WESTCOUNTRY:
12.30 Westcountry Update. 12.55 Westcountry News. 2.00 Hot Wheels. 2.30 Vet. 3.00 Jesse. (TVM 1988) 4.50 Blooming Marvellous. 5.20 Father Dowling Investigates. 6.15 Westcountry News 10.40 Westcountry Weather. 11.45 Prisoner: Cell Block H.

YORKSHIRE:
12.25 Kick About. 12.50 Calendar News. 3.05 Highway to Heaven. 2.55 Journey to the Centre of the Earth. (1988) 4.50 Disney's The Lion King Film Premiere. 5.20 Animal Country. 5.50 Calendar News and Weather 10.40 Local Weather. 11.45 The Powers That Be.

RADIO

SATURDAY

BBC RADIO 2
6.00 Sujata Barot. 8.05 Brian Matthew. 10.00 Judi Spiers. 12.00 Hayes on Saturday. 1.00 The News Huddlines. 2.00 Martin Kelner on Saturday. 4.00 Nick Barraclough. 5.00 The Kinks in Concert. 6.00 Reading Music. 7.00 Handel's Messiah. 10.15 The Arts Programme. 12.05 Ronnie Hilton. 12.35 Adrian Finighan. 4.00 Sujata Barot.

BBC RADIO 3
6.30 Open University: VIPs. 6.55 Weather. 7.00 Record Review. Bach, Schubert, Wilhelm Berger, Corelli, Falla, Tchaikovsky. 9.00 Building a Library. A Tito Gobbi survey by John Steane. 10.15 Record Release. Haydn and Mozart. 12.00 Spirit of the Age. 1.00 Role Play. 1.25 Malvern Festival 1994. Beethoven, Robert Simpson, Elgar, Mendelssohn. 3.00 Vintage Years. 5.00 Jazz Record Requests. With Geoffrey Smith. 5.45 Music Matters. The 25th anniversary of St John's, Smith Square. 6.30 Boris Godunov. Mussorgsky's opera. 10.10 Deutsche Romantik: Two Brothers Named Grimm. The legacy of Jacob and Wilhelm Grimm. 10.40 Not the Enigma. Bernard Stevens. 11.00 Impressions. The best of the summer jazz releases.

BBC RADIO 4
6.00 News.
6.10 Farming Today.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 Talking Politics.
11.00 From Our Own Correspondent.
12.00 Money Box.
12.25 The News Quiz.
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444.
2.30 Playhouse: The Battle of San Remo. By Royce Ryton.
4.00 That's History.
4.30 Science Now.
5.00 File on Four.
5.40 A Short History of the Lettuce.
6.00 News and Sports.
6.25 Week Ending.
6.30 Postcard from Gotham.
7.20 Kaleidoscope Feature. The 400th anniversary of A Midsummer Night's Dream.
7.50 Saturday Night Theatre: Displaced. By Julia Kearsley.
9.20 Music in Mind. Favourite melodies.
9.50 Ten to Ten.
10.00 News.
10.15 Quote Unquote. With Brian Sewell, Ann Leslie and John Julius Norwich.
10.45 Chocolate Nuns and Firebombs. New series. Barry Pilton's comic reminiscences of Paris in the late 1960s, starring Alan Cox.
11.05 Richard Baker Compares Notes. The career of violinist and conductor Basil Cameron.
11.30 Cover Her Face. Dalgliesh continues his murder investigation.
12.00 News.
12.33 Shipping Forecast.
12.43 (LW) As World Service.
12.43 (FM) Close.

BBC RADIO 5 LIVE
6.00 Dirty Tackle.
6.30 The Breakfast Programme.
9.05 Weekend with Kershaw and Whittaker.
11.05 Special Assignment.
11.35 Crime Desk.
12.00 Midday Edition.
12.15 Sportscall.
1.04 Sport on Five.
5.00 Sports Report.
6.05 Six-O-Six.
7.35 Saturday Edition.
9.05 Asian Perspective.
9.35 Out This Week.
10.05 The Treatment.
11.00 Night Extra.
12.05 After Hours.
2.05 Up All Night.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times BST:
6.00 Newshour. 7.00 Morgenmagazin. 7.30 Europe Today. 8.00 World News. 8.15 Waveguide. 8.25 Book Choice. 8.30 People and Politics. 9.00 World News. 9.09 Words of Faith. 9.15 A Jolly Good Show. 10.00 World News and Business Report. 10.15 Worldbrief. 10.30 Development 94. 10.45 Sports Roundup. 11.00 Printer's Devil. 11.15 Letter from America. 11.30 Waveguide. 11.40 Book Choice. 11.45 From the Weeklies. 12.00 Newsdesk. 12.30 BBC English. 12.45 Mittagsmagazin. 1.00 World News. 1.09 Words of Faith. 1.15 Multitrack Alternative. 1.45 Sports Roundup. 2.00 Newshour. 3.00 News Summary; Sportsworld. 5.00 World and British News. 5.10 BBC English. 5.30 Heute Aktuell. 6.00 News Summary. 6.05 Waveguide. 6.15 BBC English. 7.00 Newsdesk. 7.30 Heute Aktuell. 8.00 News and features in German. 9.00 World News. 9.10 Words of Faith. 9.15 Development 94. 9.30 Jazz for the Asking. 10.00 Newshour. 11.00 World News. 11.05 Words of Faith. 11.10 Book Choice. 11.15 Meridian. 11.45 Sports Roundup. 12.00 Newsdesk. 12.30 Cole Porter. 1.00 World and British News. 1.10 Good Books. 1.00 The John Dunn Show. 2.00 News Summary; Play of the Week: Lulu. 3.00 Newsdesk. 3.30 Ataturk. 4.00 World and British News. 4.15 Sports Roundup. 4.30 From Our Own Correspondent. 4.50 Write On.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 Michael Aspel. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 David Jacobs. 4.00 Tea at the Grand. 4.30 Sing Something Simple. 5.05 We'll Meet Again. 6.30 Ronnie Hilton. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Project Young Musician. 12.05 Steve Madden. 3.00 Alex Lester.

BBC RADIO 3
6.55 Weather. 7.00 Sacred and Profane. Loyset, Schumann, Respighi, Haydn. 8.55 Choice of Three. The week's forthcoming programmes. 9.00 Brian Kay's Sunday Morning. 12.15 Music Matters. 1.00 Reinventing the Orchestra: Hector Berlioz. 2.30 Schumann and Brahms. 3.00 Happy Birthday LSO! 5.10 Schumann. 5.45 Making Waves. A new production of Massenet's Don Quixote. 6.30 The Ballad of Reading Gaol. A benefit performance of Oscar Wilde's poem. 7.15 Towards a Trio. Boutry, Dutilleux, Jolivet, Poulenc. 8.00 Drama Now: A Suburban Suicide. By John Arden and Margaretta D'Arcy. 9.20 Music in Our Time. Kaija Saariaho's ballet music MAA. 10.50 Choir Works. Charpentier and De Grigny. 12.30 Close.

BBC RADIO 4
6.00 News.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.10 On Your Farm.
7.40 Sunday.
8.50 The Week's Good Cause.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers. Omnibus.
11.15 Mediumwave.
11.45 Eating Out.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial: Frankenstein.
3.30 Pick of the Week.
4.15 Analysis.
5.00 Evelyn Glennie's Edinburgh.
5.30 Poetry Please!
6.00 Six O'Clock News.
6.15 Tides of History.
6.30 Children's Radio 4.
7.00 In Business. The world's most influential management consultants.
7.30 Opinion. Education in the 21st century.
9.00 (FM) That's History.
9.00 (LW) Writer's Weekly.
9.30 (FM) Stories from the Steam Room. Vapour baths.
9.30 (LW) The French Experience.
9.00 (FM) The Natural History Programme.
9.10 (LW) Mitchell Am Rhein.
9.30 (FM) One Step Beyond.
9.45 (LW) Short Stories in French: La Chevre de Monsieur Seguin. By Alphonse Daudet.
10.00 News.
10.15 Survivors.
10.45 Good Lookers.
11.15 With Great Pleasure.
11.45 Seeds of Faith.
12.00 News.
12.30 Shipping Forecast.
12.43 (LW) As World Service.
12.43 (FM) Close.

BBC RADIO 5 LIVE
6.05 Hot Pursuits.
6.30 The Breakfast Programme.
9.00 Alastair Stewart's Sunday.
12.00 Midday Edition.
12.15 The Big Byte.
1.05 Top Gear.
1.35 Carol Smillie's Blue Sides.
2.35 You Cannot Be Serious!
3.00 Sunday Sport.
6.05 Jim and the Doc.
7.00 News Extra.
7.35 The Acid Test.
8.00 The Ultimate Preview.
10.05 Special Assignment.
10.35 Crime Desk.
11.00 Night Extra.
12.05 Nightcall.
2.00 Up All Night.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times BST:
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CHESS

Last week's 5½-1½ elimination of Nigel Short and Michael Adams in the PCA semi-finals at Linares has simplified the tangled world championship. Only six players remain in contention for one or both of the rival PCA and Fide titles.

Vishy Anand of India and Gata Kamsky of the US are due to meet in February 1995 in the PCA final to settle which of them challenges Garry Kasparov for his title later in the year at Munich. The Fide semi-finals are also announced for February 1995 at Sanghi Nagar, India. The holder Anatoly Karpov meets Boris Gelfand of Belarus while Valery Salov of Russia plays Kamsky.

Karpov v Kamsky is the expected Fide final, but Salov could be the surprise. His victory at Tilburg ahead of Karpov last week included this impressive game (V Salov, White; V Ivanchuk, Black).

1 d4 Nf6 2 Nf3 d5 3 c4 dxc4 4 e3 c5 5 Bxc4 e6 6 Qe2 a6 7 dxc5 Bxc5

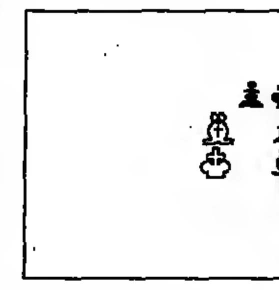
8 0-0 Qc7 9 Nbd2 Nc6 10 Bd3 Be7 11 b3 0-0 12 Bb2 Bd7 13 Rac1 Rfc8 14 Ne4 Nd5 15 Ne5 Be8 16 Nxc6 Bxc6

17 Qg4 g6 18 Bc4 Qd8 19 Rfd1 b5 20 Bxd5 Bxd5 21 Rxc8 Qxc8 22 Nf6+ Bxf6 23 Bxf6 Qc2 24 Qd4 Rc8

25 h3 h5 26 Rd2 Qc1+ 27 Kh2 Qe1 28 Qf4 Bxg2 29 Kxg2 Qxd2 30 Qh6 Qd5+ 31 e4 Qxe4+ 32 Kh2 Resigns.

A PCA-FIDE truce is nearer after the sudden switch of next month's chess olympics from Thessaloniki to Moscow. The Russian Chess Federation, guided by Kasparov, put up a $1m guarantee to save the event in which both Kasparov and Short may now play. The Greek favourite to become the next FIDE president has declared that his priority is peace with the PCA.

No 1042



Anand v Karpov, Monaco 1994. King, bishop and rook pawn against king normally only draw unless the bishop controls the pawn's queening square; so how did Karpov (Black, to play) win here?

Leonard Barden
Solution Page XXI

BRIDGE

In today's hand, which comes from rubber bridge, the declarer was defeated because he did not know how to Defuse the Ruff:

N
♠ K Q J 4
♥ 10 8 6 3
♦ Q 8 5 4
♣ J

W
♠ A 6 5
♥ 7 2
♦ J 10 9 2
♣ K 9 6 4

E
♠ 8 3
♥ J 9 5 4
♦ K
♣ Q 10 8 5 3 2

S
♠ 10 9 7 2
♥ A K Q
♦ A 7 6 3
♣ A 7

With neither side vulnerable, North dealt. After two passes South opened the bidding with one no trump, promising 16-18 points. North replied with a Stayman two clubs, and raised South's response of two spades to four spades.

This closed the auction and West led the knave of diamonds. Dummy played low, East produced the King – an obvious singleton – the declarer won with the ace, and returned the two of spades. West took his ace at once, and continued with the 10 of diamonds, the queen covered, and East ruffed. South won the heart return and drew the trumps, but he could not avoid the loss of two more diamonds, and went one down.

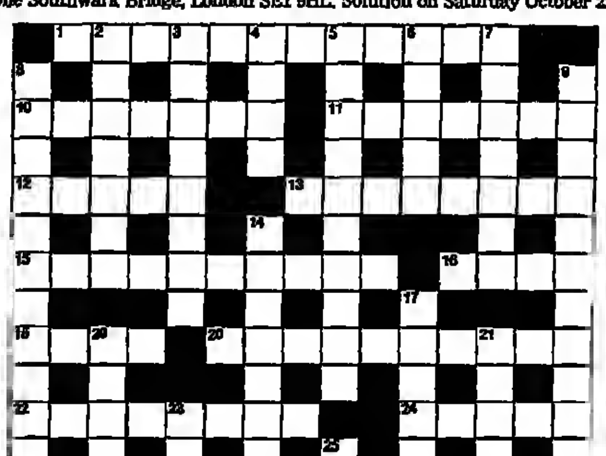
The declarer, who realised that East had only one diamond, foresaw the possible danger, but could not see any means of avoiding it, but the solution is simple. He should allow East's king to hold the first trick. East returns the four of hearts, declarer wins and leads a spade. West, as before, wins at once and leads the diamond 10. But now everything is different. If East ruffs, he is ruffing a loser, and the declarer gets home without difficulty, losing one diamond, one diamond ruff, and the ace of trumps.

E. P. C. Cotter

CROSSWORD

No. 8,579 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday October 19, marked Crossword 8,579 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday October 22.

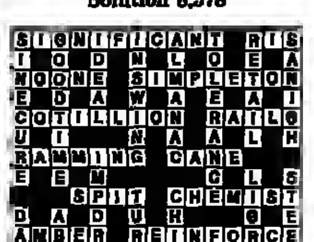


Name
Address

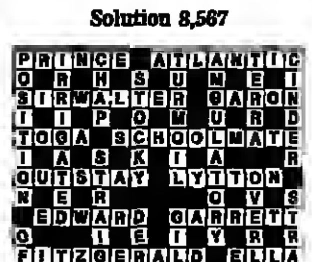
ACROSS
1 Vehicle on offer contains calico treated with disinfectant (8,4)
10 Painter turned out holding little flower (7)
11 Bony article situated in the throat (7)
12 Brought before the court with a duplicate piece (3,2)
13 Talk about stir created by early Victorian reformer (8)
15 Let a circle be formed by a king of engineering (10)
16 Demonstrative fellow's after time (4)
18 Notice found in Basses-Pyrénées (4)
20 Submarine? It's a common fault after planting (10)
22 List of runners played by unscrupulous politicians (4-4)
24 Obviously unattractive? (5)
26 Cost of transmission after hours? (7)
27 Good thing coming out of the DSS? (7)
28 Russian river fish, one unknown to science, may be built in (12)

DOWN
2 Shorten a game (7)
3 Skinhead could be adaptable when headless (8)
4 Circuit for raising a bit of water (4)
5 Worker who's got the sack over a leach, possibly (4,6)
6 Vehicle containing inspector general has been rolled (5)
7 This old silly's just that (7)
8 Ex-president maybe great help in communication (4,9)
9 Animal power: rugger international put in gun, great help initially (5,8)
14 Announcer of meal: noise made by raising gun several inches (6,4)
17 Money needed – frank, with a C – when there's wet rot about (8)
19 Printer's measure's like this for painter (7)
21 Deal with cars etc (7)
23 Note girl's form (5)
25 I get an encore: you get the bird (4)

Solution 8,578



Solution 8,567



WINNERS 8,567: Dr A. Gold, London SE1; M. Baldwin, Shalford, Surrey; W.G. Bentley, Budleigh Salterton, Devon; A. and M. Brentnall, Sunderland, Cumbria; Mrs A.L. Knight, Hallow, Worcester; M.B. Ratcliff, Edinburgh.

Princess Di gazed into my eyes . . .

***Peter Aspden** describes his intimate encounters with members of the royal family*

I crossed paths with the Princess of Wales a few weeks ago. It was in the middle of the King's Road, broad daylight, not a detective to be seen. I stared. I wish I could say, *pace* Pasternak and Gilhey, that I was aware of her "not in the gawping, let's assess-her-from-head-to-toe way, but with a protective sense of excitement and relief", but I would be lying; I gawped, I assessed, and my only sense of excited relief was that I wasn't her.

As she walked towards me on her way to take one of the little princes to a movie, a strange feeling came over me; I felt embarrassed. I found myself unable to carry on staring, it seemed indecent. While the caddish captain, on his first meeting, "drank in her effortlessness, her vibrant sheen and the way she cupped hands", I could only look down in furtive discomfort.

Instead of our eyes meeting, it became a contest of who could bore the deepest holes into the pavement. She probably won, having had more experience, but I gave it all I had. I cursed that I did not have my camera on me, but I could no more have sprung in front of her flashing lights in her face than taken an axe to her neck screaming *"Viva la repubblica!"*.

The whole affair (it lasted all of 30 seconds, but, just in case, publishers, agents and great-nieces can get my number from tha main FT switchboard) gave me a further, infinitesimal insight into life in the grotesque glare of the royal spotlight. My shifty unease had come from the wish to dissociate my rational judgment (she is an ovar-privileged, under-performing subject of no interest whatsoever) from my quasi-prurient curiosity (exactly how beautiful/thin/depressed is she?); it is, I believe, a battle that is fought daily in the minds of newspaper readers of all hues as they struggle to balance moral censoriousness with the frivolous lust for high-quality gossip.

I should have learned my lesson some years ago, when I became, for a mercifully short time and in the most half-hearted of ways, a member of the royal rat-pack. I had been deputed by my local paper to cover Prince Edward's activities at Cambridge University. I reported on his first rugby match for his college ("a sinewy frame" I think I wrote), his first tutorial (they surprisingly declined to invite us in) and, eventually, his stage debut, in Arthur Miller's *The Crucible*.

After the performance (before a wonderfully bizarre mix of undergraduates and Fleet Street's instant Miller experts), I was rung by a local radio station; would I do a live interview? Inebriated by the absurdity of the evening, I cheerfully agreed, and let rip. He was sim-ply won-derful, I opined, prancing around in thigh-length leather boots, barking at underlings as if he had been born to do so, magnetically dominating the proceedings like a young Olivier.

My fine-spun and brutally sarcastic words were rammed down my throat the next morning when my "review" was broadcast nationally, on the hour, every hour, over the whole of the next morning; for my sumptuously ironic tone was lost completely. Friends called from all round the country, wondering why I suddenly sounded like Barbara Cartland. I was humiliated.

The next time I encountered Edward was at a garden party, part of the usual scrum of malingering press-hounds scrutinising his every move. Suddenly, he bent down and picked up a small object. The cameras clicked as one. It was a royal rota press pass, the one you need to get within a whiff of these occasions. He smiled cruelly: "Someone has been rather careless!", twiddling the pass in his fingers while the pack laughed uneasily.

I looked downwards and froze. My lapel was naked. The pass was mine. I was going to have to step forward, say sorry, bow in abject shame while every photographer swooped on the heaven-sent headline opportunity: "Please sir, can I have my pass back?"; "Who's a silly boy, then?"; "The Prince and the Plonker!" My life flashed before me. For the merest of seconds, I understood what it was like to be him. I, however, had an extra option open to me – I fled. No-one took my picture, no-one plastered me across every news-stand. I escaped, the moment was forgotten.

All these memories flashed by as I read *Princess in Love*, the story that was so beautiful, it had to be told, and as I read of James Gilbey's plight ("The world would judge him harshly in its ignorance, when all he was was a kind, weak man who had done his very best"), I wondered if anyone knew the meaning of shame any more.

Private View/**Christian Tyler**

Post-mortem on a bloody century

Wise old owl or vengeful vulture? From his perch at the top of the tree, Eric Hobsbawm, the eminent historian and life-long communist, has looked down on the dying carcass of our century and given his verdict.

He has broken a self-imposed rule in order to write the history of an era – his own – which started and ended symbolically at Sarajevo. In doing so, he is inviting not only the critical judgment of his peers but the derision of his political opponents.

Professor Hobsbawm may be a bird of ill omen but his book *Age of Extremes*, to be published in three weeks, cannot fail to make an impact at this anxious end of the millennium. It is a panoptic post-mortem of the "short" 20th century from the outbreak of the first world war to the death of communism, and a sequel to his trilogy covering the "long" 19th century from the French Revolution to 1914.

Hobsbawm himself was born a few months before Lenin's October Revolution. The son of a British father and Austrian mother, he grew up in Vienna and Berlin before moving to England. His name ("it is more systematically mis-spelt than any other") seems to be a corruption of "Obstbaum" or "fruit tree".

His political creed is the product of his (non-religious) Jewish descent and of a day in 1933 when, walking home from school in Berlin with his sister, he learned that Hitler had come to power.

Age of Extremes is elegantly written, a synthesis stuffed with supporting fact, a dazzling survey taking in everything from particle physics to post-modernist art, from collective farms to supermarket check-outs.

It sees the century as a triptych. The first panel depicts a 32-year-long barbaric war punctuated by a slump. The second shows a Golden Age, a 30-year world economic boom engineered out of the preceding catastrophe and guaranteed by nuclear stalemate, a period when human society was utterly transformed.

In the third, all is confusion – a landslide of technological advance accompanied by social decay, and the emergence of global forces (financial, demographic, environmental) which democratic governments seem powerless to manage or control.

Hobsbawm is an historian of international repute, translated and read widely outside his own land. At home, he is better known for his "semi-professional" work as a political analyst and his status as guru to the British left wing. His views hindered his promotion at Cambridge, where he was a fellow of King's, and he had his first book turned down on grounds of bias.

I met the gaunt intellectual in his study at Hampstead, north London, a room betraying the eclectic mind of a man who collects Moghul miniatures and is also a jazz critic (writing under the name Fran-

Eric Hobsbawm has broken a vow and tackled the history of his era

cis Newton). He discoursed eloquently on the uses of history in our dangerously forgetful age, and the abuses of history by the separatists and nationalists who proliferate in the new world disorder.

But now that the academic historian and veteran Marxist have fused, as it were, the first question readers will ask is why they should trust his perspective on the century.

"I stuck to the 19th century for a long time," Hobsbawm said, "because for a Marxist – and certainly for a communist – writing anything to do with the Soviet Union after 1917 could not conceivably be done without saying things you knew weren't true. At least, I could have done so as a communist but I would have got into a lot more trouble. So I would say, keep your nose out." He laughed, lugubriously.

Why do you say you would have had to write things which weren't true?

"Well, the official line, as it were, on the Russian revolution was either that Trotsky didn't exist or that he was a member of the British secret service from 1918. There's no way you can do any history that way."

How could you belong to a party which promulgated untruths when you knew them to be untruths?

"Well," he sighed, with the air of one confronting the inevitable. "Do you think you choose your parties purely by the official statements made by your leaders? These official statements shouldn't actually be binding on other people. But..."

You mean you choose your party as you might choose your church?

"You choose a package deal. Bits of the package aren't what you would have chosen."

Was being a communist for you a rational, or an emotional thing?

"Oh, no. I mean from the start it was obviously an emotional and profoundly felt conviction. You felt that the world was going to hell and you felt that world revolution would be the only way of saving it. And you may understand that if you were a teenager in Berlin during the rise of Hitler.

"It wasn't a rational decision to begin with. But it gave me an initial interest in history. One of my schoolmasters said: 'You call yourself a communist, but evidently you don't know anything about it. Kindly go to the school library and read up the communist manifesto and one or two other things and see what you come back with.'

"From that stage, it became much more rational. But the commitment wasn't rational. The commitment was . . . I would almost say religious."

I said: A man will ignore things he knows to be lies for the sake of loyalty . . .

"For the sake of loyalty, or for the sake of, if you like, a larger good. But I mean everyone does this to some extent if they choose a cause or have a cause chosen for them. All my friends working in Bletchley [the code-breaking station in England in the second world war] kept silent for 30 years, even though they knew stuff was being said that was not so."

Did you feel – do you feel – a conflict between your professional life and your political adherence, which involved swallowing a certain amount of rubbish?

"I certainly felt there was a conflict, yes. I did my level best never to actually write stuff myself which I didn't believe in and which spoke lies. There was a conflict, but it didn't affect the things that I wrote about.

"Incidentally, if I may say so, none of this fooled the Russians. Not a single one of my books was ever published in Russia in the Soviet period. Not a single one . . . huh?" He gave an interrogatory grunt. "In Hungary, yes. In Slovenia, yes. You were supposed to write a straightforward line, and whatever I said did not fit in."

What do you call yourself today, politically?

"I'm on the left and I continue to be profoundly sceptical of capitalism as a system for solving the problems of the world."

I asked what it meant to be a "Marxist historian".

Hobsbawm said he believed the best way to tackle history was still to study the way human beings collectively earn their living, to understand the social structures and institutions they develop. "Indeed, far more people today, historians of any kind, use this method without being aware of it than did when I was a student."

It doesn't imply a bias that will infect your writing of history?

"It needn't particularly. In the past, a lot of Marxists were also committed to particular, demanding political organisations. I don't think it's an essential part of the exercise. It would be theoretically possible to make a Marxist analysis and not even be socialist."

Are all historians to be found somewhere on the political spectrum?

"Yes. All serious ones. Unless you are simply a chronicler or compiler of dictionaries."

So the truth will always be to some extent a function of feelings?

"It would be affected by this, yes. And, to this extent, it is impossible to say that what we are coming up with is The Truth.

"It's perfectly possible, for instance, that a historian in 50 years' time will look back and see that the dichotomy under which we have all been operating – a capitalist or a socialist type of economy – is simply a function of the war of religion waged in the 20th century and that it would make at least as much sense to distinguish four, five or six different types."

Truths and facts are not the same thing?

"Truths and facts are not the same thing. I think it is absolutely essential that historians should not go against what can be proved or disproved by evidence. The point is, there are limits to evidence. Either Elvis Presley is dead or he is not . . . what?

"Our own concepts and the way of putting them together don't have the same validity as the facts themselves, the verifiable or falsifiable data. It depend on the questions we ask. Nonetheless – and there is today an enormous consensus among professional historians – one must be against the kind of post-modernist relativism that is going around various parts of the literary and social sciences.

"If there is fiction in history, it is a fiction which is based on fact. It is, if you like, art made up of *objets trouvés*, but the *objets* have got to be real objects and not inventions."

Hobsbawm has said that most of his conscious life has been devoted to a hope which, plainly, has been disappointed and to a cause which, plainly, has failed. Talking about his book in a lecture at the University of London, where he is emeritus professor of economic and social history, he said: "There is nothing which can sharpen the historian's mind like defeat."

He went on: "As the century ends, the world is fuller of defeated thinkers wearing a very wide variety of ideological badges than of triumphant ones. Especially among those old enough to have long memories."

Hobsbawm has the memories, all right. He has certainly suffered the defeats. But if his foresight was poor – and whose was any better? – his hindsight, it must be said, is terrific.

As They Say in Europe

Trapped by special boring rights

One of the more intriguing problems confronted by any reporter is how to tackle a story that is complex to the point of incomprehensibility and arcane to the point of being meaningless.

How does one present a story, when one has never heard of the subject matter and one's readers have not the slightest interest in it?

So it was with last Sunday's tale from Madrid of the collapse of various detailed plans to launch an issue of the International Monetary Fund's special drawing rights (SDRs).

Many who had assembled in the Spanish capital for the IMF and World Bank annual meeting had dreaded the prospect of a row over SDRs. In the event, there was not only a row but a split.

The fact that this arcane matter was linked with something called a "systemic transformation facility" meant that many who had jumped the first fence refused the second. Some even left town as their editors could scarcely face filling their pages with such matters.

Those of us who stayed to cut our way through the unyielding rock of news suffered many defeats. Spanish journalists were in a particularly unfortunate position – they had nowhere to go because they could not ignore the news that was taking place on their doorstep.

El Mundo, heroically, ran the headline: "The Fund gets no agreement on the widening of its capital." Quite wrong, but a good try. In its hands, SDRs became "the nominal money of the IMF". *El Pais* called SDRs "credit commitments" – but a typographical error made it "cedit commitments", which seemed quite interesting and very Castillian.

Elsewhere in Europe, opaque definitions ruled. For *Le Monde*, the phrase was "reserve money of the Fund", while *NRC-Handelsblad* of Rotterdam used the phrase "Monopoly money". The *Frankfurter Allgemeine Zeitung* dismissed SDRs, sniffily, as "money out of thin air".

So it was that Europe's top economic writers turned quickly from the tedious details of the row to a much more profitable field: who to blame for the ghastly debacle. The problem was eased because there were so many candidates.

The IMF's boss, Michel Camdessus, had put up the original plan for SDR distribution, which had the firm support of developing countries. But the British and Americans cut the proposed amount in half and said it should go mostly to their friends in the old Soviet Union.

***James Morgan** recounts the horrors of an IMF conference*

The Germans were grudging even about this. The French, however, like the idea of free money for everyone; it was not surprising that *Le Monde* blamed the G-7 and its "sin of pride" in refusing to compromise further.

So, in Germany, *Handelsblatt* made something of the typical French generosity with other people's money. The man from the Dutch *Handelsblad* thought that weak leadership in both organisations had combined with the "new self-confidence of the developing countries". The *FAZ*, of course, blamed everybody. The *Neue Zürcher Zeitung* noted, happily, that there had been "no winners, only losers".

I blamed Spain. It provides a suitable stage for the theatre of disaster and, after all, the country has a proverb which runs: *"A rio revuelto ganancia de pescadores"* – troubled waters are the fisherman's gain.

Troubled waters dominated. The press corps gloomily contemplated the recently privatised telephone system and was amazed to hear how much it had improved. Only the Italians felt at home, but even they admitted that tha interface between Telecom Italia and Telefónica did provide some nasty surprises.

Tha trouble with Spain is that, barring bloodshed, revolution and civil war, not much happened there between around 1770 and 1970. A whole epoch of devalopment was missed. Thus, there is scarcely a hotel room which has a radio, although all have televasion sets.

Then there is the curious phenomenon of clocklessness. Northern Europe abounds with clock towers, cuckoo clocks or whatever. In France, there are few; in Spain, there are hi-tech digital items on streets but none in the hotel rooms. A jet-lagged colleague from New York rang reception in the early hours to say he wanted a clock. He was advised to tune into the French television channel where he would see the time 24 hours a day.

Then there was the television producer who also rang reception to ask how she should operate the air-conditioning. "Open the window," came the reply.

Spain is not at its best when it is trying to be a modern, sophisticated industrial state. Madrid still provides the best of old Spanish customs: marvellous, efficient bars and restaurants. Helpful, honest taxi drivers.

It also understands realities that others miss. A cartoon in *El Pais* on the IMF and Bank meetings asked: "If all goes well for the economy, what matters if it doesn't for the people in it?"

■ *James Morgan is economics correspondent of the BBC World Service.*